



Pursuant to Governor Newsom's Executive Order N-29-20, members of the Board of Directors and staff will participate in this meeting via a teleconference. Members of the public can comment when prompted by unmuting their microphone, and allowing access to their webcam is optional.

CAYUCOS SANITARY DISTRICT

200 Ash Avenue
PO Box 333
Cayucos, California 93430-0333
805-995-3290

GOVERNING BOARD

R. Enns, President
D. Chivens, Vice-President
S. Lyon, Director
R. Frank, Director
H. Miller, Director

BOARD OF DIRECTORS REGULAR MEETING AGENDA THURSDAY, JANUARY 21, 2021 AT 5:00PM

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<https://www.gotomeet.me/AmyLessi/csd-bod-regular-meeting-65>

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Copies of the staff reports or other documentation relating to each item of business referred to on the agenda are on file in the District Office and available on the CSD website at <https://www.cayucosd.org/board-of-directors-meetings>. To comply with the Governor's Executive Order, CA Department of Public Health social distancing guidance and shelter-at-home order, related to slowing the spread of coronavirus (COVID-19), the CSD Administrative Office is closed to the public, until further notice. Please call 805-995-3290 if you need any assistance. If requested, the agenda and supporting documents shall be made available in alternative formats to persons with a disability.

1. ESTABLISH QUORUM AND CALL TO ORDER

2. PUBLIC COMMENTS:

This is the time the public may address the Board on items other than those scheduled on the agenda. By conditions of the Brown Act the Board may not discuss issues not posted on the agenda, but may set items for future agendas. Those persons wishing to speak on any item scheduled on the agenda will be given an opportunity to do so at the time that agenda item is being considered. When recognized by the Board President, please stand up and state your name and address for the record (though not required). While the Board encourages public comment, in the interest of time and to facilitate orderly conduct of the meeting, the Board reserves the right to limit individual comments to three minutes.

3. CONSENT CALENDAR: Recommend to Approve

Consent Calendar items are considered routine and therefore do not require separate discussion, however, any item may be removed from the Consent Calendar by a member of the Board of Directors for separate consideration. Individual items on the Consent Calendar are approved by the same vote that approves the Consent Calendar, unless an item is pulled for separate consideration.

A. Regular Meeting Minutes

1. Approval of minutes for the December 17, 2020 Board of Directors Regular Meeting

B. Financial Reports: November 2020

1. Check Register – Mechanics Bank (General Checking Account)
 - a. Check Register – Wells Fargo (CIP/CSWP Checking Account)
 - b. Check Register – Wells Fargo (CSWP Construction Account)

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2. Cash, Savings, and Investment Report
3. Budget vs. Actual Status Report **FY 2020-2021**
4. Capital Improvement Projects Report
- C. **Financial Reports: December 2020**
 1. Check Register – Mechanics Bank (General Checking Account)
 - a. Check Register – Wells Fargo (CIP/CSWP Checking Account)
 - b. Check Register – Wells Fargo (CSWP Construction Account)
 2. Cash, Savings, and Investment Report
 3. Budget vs. Actual Status Report **FY 2020-2021**
 4. Capital Improvement Projects Report
4. **STAFF COMMUNICATIONS AND INFORMATIONAL ITEMS: No Action Required**
 - A. District Manager's Report (Koon) – **December 2020**
 - B. Monthly Customer Satisfaction Survey Submissions – **None**
 - C. Will-Serves – New
 - Cayucos Supermarket Corp., APN 064-131-006, 301 S Ocean Ave. – CMMCL Remodel**
 - Will-Serves – Renewed
 - Brindley, APN 064-432-053, 3486 Shearer Ave. – SFR New**
 - Scoto, APN 064-204-055, 2787 Santa Barbara Ave. – SFR New**
 - Will-Serves – Finaled
 - None**
 - Will-Serves – Continue to Serve (No Will-Serve Required)
 - None**
 - Will-Serves – Grant of License
 - None**
5. **DISCUSSION AND CONSIDERATION TO APPROVE AMENDMENT #1 IN THE AMOUNT OF \$264,525.00 TO THE AGREEMENT WITH WATER SYSTEMS CONSULTANTS, INC. (WSC) FOR PROFESSIONAL ENGINEERING SERVICES IN THE CONSTRUCTION OF THE CAYUCOS SUSTAINABLE WATER PROJECT SUBJECT TO FINAL APPROVAL BY THE USDA**
6. **DISCUSSION AND CONSIDERATION TO APPROVE THE FOLLOWING RESOLUTIONS IN ORDER TO CONVERT THE WESTERN ALLIANCE BANK CONSTRUCTION FINANCING TO THE USDA LOANS:**
 - A. RESOLUTION 2021-01 AUTHORIZING THE EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$24,301,500; AND APPROVING AN INSTALLMENT SALES AGREEMENT BETWEEN THE PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA AND THE CAYUCOS SANITARY DISTRICT; A TRUST AGREEMENT AMONG THE DISTRICT MANAGER OF THE CAYUCOS SANITARY DISTRICT, THE PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, AND THE CAYUCOS SANITARY DISTRICT; AN ASSIGNMENT AGREEMENT BETWEEN THE PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA AND THE DISTRICT MANAGER OF THE CAYUCOS SANITARY DISTRICT; AND RELATED ACTIONS
 - B. FOUR (4) USDA LOAN RESOLUTIONS AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING THE DISTRICT'S WASTEWATER SYSTEM FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE

Pursuant to Governor Newsom's Executive Order N-29-20, members of the Board of Directors and staff will participate in this meeting via a teleconference. Members of the public can comment when prompted by unmuting their microphone, and allowing access to their webcam is optional.

7. **DISCUSSION AND CONSIDERATION TO APPROVE RESOLUTION 2021-02 FOR MODIFICATIONS TO THE SERIES B LOAN WITH WESTERN ALLIANCE BANK**
8. **CAYUCOS SUSTAINABLE WATER PROJECT STATUS UPDATE**
9. **BOARD MEMBER COMMENTS** (This item is the opportunity for Board Members to make brief announcements and/or briefly report on their own activities related to District business.)
10. **FUTURE SCHEDULED MEETINGS**
 - February 18, 2021 – Regular Board Meeting
 - March 18, 2021 – Regular Board Meeting
 - April 15, 2021 – Regular Board Meeting
11. **ADJOURNMENT**

This agenda was prepared and posted pursuant to Government Code Section 54954.2. The agenda can be accessed and downloaded from the District's website at <https://www.cayucosd.org/board-of-directors-meetings>

All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the District's office and are available for public inspection and reproduction at cost. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by the Americans with Disability Act. To make a request for disability-related modification or accommodation, contact the District at 805-995-3290 as soon as possible and at least 48 hours prior to the meeting date.



CAYUCOS SANITARY DISTRICT

200 Ash Avenue
PO Box 333
Cayucos, CA 93430-0333
805-995-3290

AGENDA ITEM: 3.A.1

DATE: January 21, 2020

ACTION: _____

GOVERNING BOARD

R. B. Enns, President
D. Chivens, Vice-President
S. Lyon, Director
H. Miller, Director
R. Frank, Director

REGULAR MEETING MINUTES

Thursday, December 17, 2020

5:00 p.m.

1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 5:00p.m.

Board members present via GoToMeeting: President Robert Enns, Vice-President Dan Chivens, Director Miller, Director Robert Frank, and Director Shirley Lyon

Staff present via GoToMeeting: District Manager Rick Koon, Admin. Services Manager Amy Lessi, Treatment Plant Operator Grade III Sarah Hooper, and Treatment Plant Operator Grade II Chris Winn

Guests present via GoToMeeting: Dylan Wade of Water Systems Consultants (WSC), and Adam Guise of Moss, Levy & Hartziem (joined meeting at 5:32p.m.)

2. REPORT OUT OF DECEMBER 11, 2020 CLOSED SESSION

The Board approved a Conditional Settlement Agreement with John Paul Drayer that, if the Board adopts a Resolution of Intention prior to January 12, 2021, requires the District to convert to district-based elections after the 2020 Census data is available and prior to the November 8, 2022 General Election. The motion was made by Director Lyon and seconded by Director Frank and the vote was unanimous, with Director Miller absent.

3. PUBLIC COMMENTS

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

Manager Koon introduced the newly hired Sarah Hooper and Chris Winn, who each made a brief statement expressing their enthusiasm to join the District.

4. CONSENT CALENDAR - Recommended to Approve

Consent Calendar items are considered routine and therefore do not require separate discussion, however, any item may be removed from the Consent Calendar by a member of the Board of Directors for separate consideration. Individual items on the Consent Calendar are approved by the same vote that approves the Consent Calendar, unless an item is pulled for separate consideration.

A. Regular Meeting Minutes

1. Approval of Minutes for the November 19, 2020 Board of Directors Regular Meeting
2. Approval of minutes for the December 4, 2020 Board of Directors Special Meeting
3. Approval of minutes for the December 11, 2020 Board of Directors Special Meeting

B. Financial Reports: November 2020

1. Check Register – Mechanics Bank (General Checking Account)
 - a. Check Register – Wells Fargo (CIP/CSWP Checking Account)

- b. Check Register – Wells Fargo (CSWP Construction Account)
- 2. Cash, Savings, and Investment Report
- 3. Budget vs. Actual Status Report **FY 2020-2021**
- 4. Capital Improvement Projects Report

President Enns announced that item 4.B is not yet available and will be pulled for next month’s meeting.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

MOTION: 1st by Lyon, to approve item 4.A. on the consent calendar as prepared. Motion was seconded by Frank.

ROLLCALL VOTE: Lyon-yes, Frank-yes, Miller-yes, Chivens-yes, Enns-yes,

VOTE 5-0 Motion passed

5. STAFF COMMUNICATIONS AND INFORMATION ITEMS: (NO ACTION REQUIRED)

A. District Manager’s Report – November 2020

B. Monthly Customer Satisfaction Survey Submissions – None

C. Will Serves – New

Valley, APN 064-405-016, 3579 Gilbert Ave. – SFR New

Will-Serves – Renewed

Williams, APN 064-221-003, 33 12TH ST. – SFR New

Pessah, APN 064-417-018, 3140 STUDIO DR. – SFR Remodel

Mather, APN 064-143-008, 41 5TH ST. – SFR New

Wrage, APN 064-426-039, 3333 OCEAN BLVD. – SFR New

Will-Serves – Finaled

Dixon, APN 064-223-009, 41 14th St. – SFR Addition

Pastore, APN 064-182-032, 2175 Cass Ave. – SFR New

Will-Serves – Continue to Serve (No Will-Serve Required)

None

Will-Serves – Grant of License

None

Manager Koon gave a verbal report for the previous month’s Admin. and Operations departments’ activities. Staff increased COVID-19 prevention measures. ACH and credit card customer payments have increased significantly since the outbreak of COVID-19. The District welcomed its two newest employees on December 7th.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

Items 5 A through C were received and accepted.

6. ELECTION OF DISTRICT OFFICERS FOR 2021

The Board reviewed the officer assignments for the positions of President and Vice President, ultimately expressing interest in carrying over the present officer assignments into next year.

President Enns opened the meeting to Public Comment.

John Curti agreed wholeheartedly with the decision to continue with the current assignments.

Hearing no further comments, President Enns closed Public Comment.

MOTION: 1st by Miller, to appoint Robert Enns as President and Dan Chivens as Vice President of the Cayucos Sanitary District Board of Directors for 2021. Motion was seconded by Frank.

ROLLCALL VOTE: Miller-yes, Frank-yes, Lyon-yes, Chivens-yes, Enns-yes

VOTE 5-0 Motion passed

7. DISCUSSION AND CONSIDERATION OF NEW DISTRICT BOARD COMMITTEE ASSIGNMENTS FOR 2021

The Board discussed the potential roles of each committee, with an emphasis on the WWTP/JPA committee, which has sizeable foreseeable obligations in 2021. The committees were assigned as follows:

Standing Committees:

Budget Committee: Shirley Lyon & Hannah Miller

Finance Committee: Robert Enns & Robert Frank

O&M Committee: Dan Chivens and Shirley Lyon

Ad-Hoc Committees:

Personnel Committee: Hannah Miller & Robert Frank

WWTP/JPA Committee: Robert Enns & Shirley Lyon

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

The Board Committee Assignments were accepted as discussed.

8. CONSIDERATION TO APPROVE PAYMENT OF MORRO BAY INVOICE FOR 1ST QUARTER OF FY 2020/21 IN THE AMOUNT OF \$95,827.08

After the invoice was presented, President Enns commented on the number of pages and wondered why the number of staff represented changed throughout the invoice. Manager Koon reassured the Board that he and the Administrative Accounting Manager Gayle Good had gone over it line by line and didn't find any discrepancies.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

MOTION: 1st by Miller, to Approve Payment of Morro Bay Invoice for 1st Quarter of FY 2020/21 in the Amount of \$95,827.08. Motion was seconded by Chivens.

ROLLCALL VOTE: Miller-yes, Chivens-yes, Lyon-yes, Frank-yes, Enns-yes

VOTE 5-0 Motion passed

9. PRESENTATION AND ACCEPTANCE OF THE CAYUCOS SANITARY DISTRICT FY 2019/20 FINAL AUDIT BY ADAM GUISE OF MOSS, LEVEY & HARTZHEIM

Mr. Guise presented the FY 2019/20 audit in its final draft and answered questions from the Board. The Board agreed that his report was superb. In turn, Mr. Guise complimented Admin. Accounting Manager Gayle Good on her cooperation and flexibility while he and his staff were in the District office conducting their audit, and while correcting an issue with Tax Liens being counted as income twice. President Enns opened the meeting to Public Comment.

John Curti asked if the Tax Lien issue had only been taking place for the last year?

Hearing no further comments, President Enns closed Public Comment.

Mr. Guise answered that it had been taking place for longer, about a year and a half.

Item 9 was received and accepted.

10. DISCUSSION AND CONSIDERATION OF RESOLUTION 2020-10 DECLARING INTENTION TO TRANSITION FROM AT-LARGE TO DISTRICT-BASED ELECTIONS BY NOVEMBER 2022

Manager Koon reviewed the implications of the proposed resolution with the Board of Directors. The Board had several questions and concerns, such as associated costs that will ultimately fall on the ratepayers, the limited number of registered voters in Cayucos, and dividing community participation into small groups.

President Enns opened the meeting to Public Comment.

John Curti commented that this proposed transition does not make sense to him. The current BOD has been performing efficiently and effectively. The proposed transition costs a lot of money and invites candidates that lack experience, knowledge of the project's history, and expertise. He suggested that the Board look into an exemption on the grounds of such a small population.

Hearing no further comment, President Enns closed Public Comment.

MOTION: 1st by Frank, to Adopt Resolution 2020-10 Declaring Intention to Transition from At-Large to District-Based Elections by November . Motion was seconded by Lyon.

ROLLCALL VOTE: Frank-yes, Lyon-yes, Miller-yes, Chivens-yes, Enns-yes

VOTE 5-0 Motion passed

11. CAYUCOS SUSTAINABLE WATER PROJECT STATUS UPDATE

Dylan Wade of WSC updated the Board on recent activity at the jobsite. At Lift Station 5, the wet wells are in and backfilled. The wiring of electrical conduits is currently underway and the site will be weatherproof soon. At the CSWP, the successful startup of many pieces of equipment has taken place. The District has closed its first construction permit and is now transitioning into operational permitting. Construction is anticipated to wrap up early 2021.

President Enns asked for elaboration on the discontinuance of pumping to Morro Bay and switching to the District's outfall. Dylan Wade answered that there will be a couple weeks of transition and "flexible pumping" while the correct biology is established. They will turn the pipes going to Morro Bay to the District's outfall when staff is ready, forecasted for late March/early April.

Vice President Chivens asked for clarification on who is doing the grading work for the Solar Project? Dylan Wade answered there will be dirt leftover from the Lift Station 5 project, David Crye will level it, and Cushman will clean it up.

President Enns relayed a compliment from the public regarding how well-kept Raminha's worksite is.

President Enns opened the meeting to Public Comment.

John Curti was pleased with the precision demonstrated at the jobsite and the qualified new District staff hires.

Hearing no further comments, President Enns closed Public Comment.

12. BOARD MEMBER COMMENTS (This item is the opportunity for Board Members to make brief announcements and/or briefly report on their own activities related to District business.)

None.

13. FUTURE SCHEDULED MEETINGS

- January 21, 2021– Regular Board Meeting
- February 18, 2021 – Regular Board Meeting
- March 18, 2021 – Regular Board meeting

14. ADJOURNMENT

The meeting adjourned at 6:15p.m.

Minutes Respectfully Submitted By:

X Amy Lessi

Amy Lessi
Administrative Services Manager

DRAFT

**Cayucos Sanitary District
General Checking Account
(Payments Only)
November 2020**

AGENDA ITEM: 3.B.1

DATE: January 21, 2021

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
11/01/2020	21857	CAYUCOS SANITARY DISTRICT WELLS FARGO ACT	-107.92
11/02/2020	21832	POSTMASTER	-569.72
11/03/2020	21858	CAYUCOS SANITARY DISTRICT	-282.00
11/03/2020	21859	CHARTER INTERNET	-114.98
11/03/2020	21860	KITZMAN WATER	-31.00
11/03/2020	21861	MISSION UNIFORM SERVICE	-106.20
11/03/2020	21862	PG&E LS#4	-407.04
11/03/2020	21863	QUICK TECH COMPUTERS	-525.00
11/03/2020	21864	STREAMLINE	-200.00
11/05/2020	HLTH110520	CALPERS (HEALTH)	-13,735.77
11/05/2020	21865	MORRO ROCK MUTUAL WATER CO. UTILITY 782	-84.68
11/05/2020	21866	PG&E LS#1	-367.15
11/05/2020	21867	PG&E LS#2	-779.32
11/05/2020	21868	PG&E LS#3	-112.02
11/05/2020	21869	PG&E OFFICE	-208.96
11/05/2020	21870	SLO AIR POLLUTION CONTROL DISTRICT	-1,626.80
11/05/2020	21871	WELLS FARGO VENDOR FIN SERV	-213.43
11/05/2020	B2031011568	ALLIED ADMINISTRATORS FOR DELTA DENTAL	-660.31
11/08/2020	21875	PATHIAN ADMINISTRATORS	-172.40
11/09/2020	21876	CARMEL & NACCASHA LLP	-1,958.40
11/09/2020	21877	MOSS, LEVY & HARTZHEIM LLP	-1,210.00
11/09/2020	21878	PG&E LS#5	-1,501.43
11/10/2020	21879	CALNET3	-353.26
11/12/2020		QuickBooks Payroll Service	-13,511.19
11/13/2020	DD111320201	COLLINS, JONATHAN W	0.00
11/13/2020	DD111320205	LAKEY, NICK E	0.00
11/13/2020	DD111320203	GOOD, GAYLE	0.00
11/13/2020	DD111320206	LESSI, AMY M	0.00
11/13/2020	DD111320208	OWENS, JUSTIN D	0.00
11/13/2020	21872	CHIVENS, DAN P	-91.35
11/13/2020	21873	ENNS, ROBERT	-91.35
11/13/2020	DD111320202	FRANK, ROBERT W	0.00
11/13/2020	DD111320204	KOON, RICHARD L	0.00
11/13/2020	21874	LYON, SHIRLEY A	-91.35
11/13/2020	DD111320207	MILLER, HANNAH P	0.00
11/13/2020	EDD11132020	EDD	-1,077.53
11/13/2020	FED11132020	US TREASURY	-4,475.80
11/13/2020	DEF11132020	CALPERS (RETIREMENT)	-975.00
11/13/2020	PERS111320	CALPERS (RETIREMENT)	-1,749.43
11/13/2020		Mechanic's Bank Fees	-363.98
11/14/2020		Intuit Payroll Fees	22.00
11/16/2020	21881	CAYUCOS SANITARY DISTRICT WELLS FARGO ACT	-175,000.00
11/17/2020	21882	RAFAEL CUELLAR	-700.00
11/17/2020	21883	CWEA	-192.00
11/17/2020	21884	FIRSTNET (AT&T)	-285.45

Date	Num	Name	Amount
11/23/2020	21885	ADVANTAGE ANSWERING PLUS	-83.44
11/23/2020	21886	BUSINESS CARD 4841	-485.48
11/23/2020	21887	BUSINESS CARD 8913	-454.19
11/23/2020	21888	COASTAL COPY, INC	-99.01
11/23/2020	21889	CSDA	-74.00
11/23/2020	21890	FERGUSON ENTERPRISES, INC.	-277.77
11/23/2020	21891	MISSION UNIFORM SERVICE	-106.20
11/23/2020	21892	SOCAL GAS	-24.46
11/23/2020	21893	STAPLES ADVANTAGE (Gov. Acct)	-160.78
11/24/2020	FED11272020	US TREASURY	-4,390.72
11/25/2020		QuickBooks Payroll Service	-13,307.58
11/27/2020	DD112720201	COLLINS, JONATHAN W	0.00
11/27/2020	DD112720202	GOOD, GAYLE	0.00
11/27/2020	DD112720204	LAKEY, NICK E	0.00
11/27/2020	DD112720205	LESSI, AMY M	0.00
11/27/2020	DD112720206	OWENS, JUSTIN D	0.00
11/27/2020	DD112720203	KOON, RICHARD L	0.00
11/27/2020	EDD11272020	EDD	-1,069.74
11/30/2020	17263766582	COLONIAL LIFE INSURANCE PREMIUMS	-172.20
11/30/2020	21894	CAYUCOS BEACH MUTUAL WATER CO. #1	-90.30
11/30/2020	21895	CAYUCOS BEACH MUTUAL WATER CO. #2	-103.66
11/30/2020	21896	CUSI	-1,875.00
11/30/2020	21897	ENVIRONMENTAL HEALTH LS#1	-454.00
11/30/2020	21898	ENVIRONMENTAL HEALTH LS#2	-454.00
11/30/2020	21899	ENVIRONMENTAL HEALTH LS#3	-454.00
11/30/2020	21900	ENVIRONMENTAL HEALTH LS#4	-454.00
11/30/2020	21901	ENVIRONMENTAL HEALTH LS#5	-454.00
11/30/2020	21902	EXECUTIVE JANITORIAL	-180.00
11/30/2020	21903	EXXONMOBIL	-419.15
11/30/2020	21904	GRAINGER	-298.09
11/30/2020	21905	HAMON OVERHEAD DOOR CO.	-345.47
11/30/2020	21906	MORRO ROCK MUTUAL WATER CO. UTILITY 782	-75.51
11/30/2020	21907	POSTMASTER	-240.00
11/30/2020	21908	SLOCTC - LOT 6NE	-1,512.78
11/30/2020	21909	SLOCTC - LOT 6SW	-207.60
11/30/2020	21910	SLOCTC - LOT 7N	-1,150.62
11/30/2020	21911	SLOCTC LT 32	-3,743.42
11/30/2020	21912	SLOCTC TORO	-8,252.72
11/30/2020	21913	STAPLES ADVANTAGE (Gov. Acct)	-89.30
11/30/2020	21914	STATE WATER RESOURCES CONTROL BOARD	-2,848.00
		Total Operating Expenses	-268,317.41
		Less Transfer to CIP	175,000.00
		Grand Total	-\$93,317.41

**Cayucos Sanitary District
CIP/CSWP Account
(Payments Only)
November 2020**

AGENDA ITEM: 3.B.1a
DATE: January 21, 2021

Date	Num	Name	Amount
11/09/2020	11441	CARMEL & NACCASHA LLP	-3,866.40
11/11/2020		Wells Fargo Bank Fees	-164.36
11/17/2020	11442	ASHLEY & VANCE	-13,856.25
11/17/2020	11443	FIRSTNET (AT&T)	-667.86
11/23/2020	11444	BUSINESS CARD 8913	-60.00
11/23/2020	11445	QUICK TECH COMPUTERS	-21,060.59
11/23/2020	11446	WATER SYSTEMS CONSULTING, INC.	-5,914.81
11/30/2020	11447	ASHLEY & VANCE	-4,483.75
Total CIP Expenses			<u>-\$50,074.02</u>

**Cayucos Sanitary District
CSWP Construction Account
(Payments Only)
November 2020**

AGENDA ITEM: 3.B.1b

DATE: January 21, 2021

Date	Num	Name	Amount
11/03/2020	5230	COASTAL COPY, INC	-86.82
11/03/2020	5231	RANCH WIFI	-135.00
11/09/2020	5232	HARVEY'S HONEY HUTS	-420.36
11/09/2020	5233	PG&E TORO	-346.28
11/10/2020	5234	CALNET3	-47.25
11/17/2020	5235	WELLS FARGO VENDOR FIN SERV	-249.98
11/23/2020	5236	STATE WATER RESOURCES CONTROL BOARD	-641.00
11/30/2020	5237	MOBILE MODULAR MANAGEMENT CORPORATION	-924.34
Total CSWP Construction Expenses			-\$2,851.03

Cayucos Sanitary District Cash, Savings and Investment Report November 2020

AGENDA ITEM: 3.B.2

DATE: January 21, 2021

Bank Accounts	Current Balance	
Rabobank Checking	\$321,451	
Wells Fargo CIP	\$1,465,757	
Wells Fargo CFF	\$189,424	
Petty Cash	\$175	
LAIF	\$8,435	
Total	\$1,985,242	
CSWP Project/Asset Accounts		
Western Alliance Const. Interest Reserve	\$29	
Western Alliance Series A Account	\$26	
Western Alliance Series A-1 Account	\$149,045	
Western Alliance Series B Account	\$0	
WF CSWP Constr. Oper. Acct.	\$121,856	
WF CSWP Constr. Impound Acct.	\$909,471	
Total	\$1,180,427	
Investments		
Wells Fargo CalTrust	\$1,684,946	
Cetera Cash/MM	\$736,471	
Cetera Treasury/Securities	\$77,847	(Fixed Income)
Total	\$2,499,264	
Grand Total	\$5,664,933	
MCD Rabobank Deposit CD	\$25,000	Franchise Deposit on Hold

**Cayucos Sanitary District
FY 20/21 Financial Report
November 2020**

AGENDA ITEM: 3.B.3

DATE: January 21, 2021

	Current Month	YTD Actual Rev/Exp	YTD Budget	Approved Budget 20/21	% of Budget
Ordinary Income/Expense					
Income					
4000 · SEWER INCOME	243,784	1,260,391	1,223,396	2,936,150	43%
4100 · WILL SERVE INCOME	300	25,355	14,292	34,300	74%
4200 · RENTAL INCOME	-	35,533	13,417	32,200	110%
4300 · SOLID WASTE INCOME	12,477	42,949	37,333	89,600	48%
4400 · SLOCO TAX ASSESSMENTS	58,953	184,748	404,875	971,700	19%
4500 · SAVINGS INTEREST INCOME	3	62	83	200	31%
4600 · INVESTMENT INTEREST	361	10,446	11,500	27,600	38%
4700 · OTHER INCOME	-	4,534	1,917	4,600	99%
Total Income	<u>315,877</u>	<u>1,564,018</u>	<u>1,706,813</u>	<u>4,096,350</u>	<u>38%</u>
Expense					
5000 · PAYROLL EXPENSES					
5100 · ADMINISTRATIVE PAYROLL	26,209	139,717	140,875	338,100	41%
5200 · COLLECTIONS PAYROLL	13,110	71,518	48,417	116,200	62%
5300 · TREAT PAYROLL	441	441		209,000	0%
5400 · DIRECTOR PAYROLL	500	2,600	3,333	8,000	33%
5500 · VESTED PAYROLL BENEFITS	417	2,085	2,083	5,000	42%
5600 · ADMIN PAYROLL TAXES & BENEFITS	9,456	79,683	50,396	120,950	66%
5700 · COLL PAYROLL TAXES & BENEFITS	8,013	56,425	35,688	85,650	66%
5800 · TREAT PAYROLL TAXES & BENEFITS				68,450	0%
5900 · DIRECTOR PAYROLL TAXES & BENEFITS	38	199	208	500	40%
Total 5000 · PAYROLL EXPENSES	<u>58,184</u>	<u>352,668</u>	<u>281,000</u>	<u>951,850</u>	<u>37%</u>
6000 · OPERATING EXPENSES					
6050 · SPECIAL PROJECTS	-	-	5,417	13,000	0%
6100 · ADMIN OPERATING EXPENSES	25,246	658,981	742,958	1,783,100	37%
6500 · COLLECTIONS OPERATING EXPENSES	16,166	48,675	91,333	219,200	22%
7000 · TREATMENT OPERATING EXPENSES	2,099	2,099	335,417	805,000	0%
Total 6000 · OPERATING EXPENSES	<u>43,512</u>	<u>709,754</u>	<u>1,175,125</u>	<u>2,820,300</u>	<u>25%</u>
Total Expense	<u>101,696</u>	<u>1,062,422</u>	<u>1,456,125</u>	<u>3,772,150</u>	<u>28%</u>
Net Ordinary Income	<u>214,181</u>	<u>501,596</u>	<u>250,688</u>	<u>324,200</u>	<u>155%</u>
Net Income	<u><u>214,181</u></u>	<u><u>501,596</u></u>	<u><u>250,688</u></u>	<u><u>324,200</u></u>	<u><u>155%</u></u>

**Cayucos Sanitary District
Capital Improvement Projects Report
FY 20/21
November 2020**

AGENDA ITEM: 3.B.4
DATE: January 21, 2021

	Current Month	YTD Actual Rev/Exp	Approved Budget 20/21	Percent Used YTD
CAPITAL IMPROVEMENTS				
1601 - Sewer Main Replacements	0.00	0.00	85,000.00	0%
1601.02 - Chaney to LS #5	0.00	0.00	70,000.00	0%
1609 - Lift Stations 1 & 4 Repairs				
1609.2 - LS #4 Replacement Pump	0.00	0.00	22,000.00	0%
1612 - ALL LIFT STATIONS				
1612.1 - Lift Station SCADA System	0.00	58,727.86	65,000.00	90%
1614 - Lift Station #5				
1614.1 - Inflow & Infiltration Study	0.00	0.00	28,000.00	0%
1615 - Outfall Tie-In	0.00	0.00	45,000.00	0%
1616 - RWQCB Recycled Water Program	0.00	0.00	50,000.00	0%
Total 1600 CAPITAL IMPROVEMENTS	0.00	\$58,727.86	\$365,000.00	16%

**Cayucos Sanitary District
General Checking Account
(Payments Only)
December 2020**

AGENDA ITEM: 3.C.1

DATE: January 21, 2021

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
12/01/2020	21880	POSTMASTER	-570.00
12/01/2020	21915	CAYUCOS SANITARY DISTRICT WELLS FARGO ACT	-1,158.25
12/03/2020	21916	LAKEY, NICK E	-13.23
12/03/2020	21917	CAYUCOS BEACH MUTUAL WATER CO. Jet	-53.44
12/03/2020	21918	CAYUCOS SANITARY DISTRICT	-282.00
12/03/2020	21919	CHARTER INTERNET	-114.98
12/03/2020	21920	GRAINGER	-29.49
12/03/2020	21921	KITZMAN WATER	-31.00
12/03/2020	21922	MINER'S ACE HARDWARE	-117.66
12/03/2020	21923	MORRO ROCK MUTUAL WATER CO.	-18.34
12/03/2020	21924	QUICK TECH COMPUTERS	-525.00
12/03/2020	21925	STATE WATER RESOURCES CONTROL BOARD	-2,099.00
12/03/2020	21926	STREAMLINE	-200.00
12/03/2020	21927	MISSION COUNTRY DISPOSAL	-12.52
12/05/2020	HLTH120520	CALPERS (HEALTH)	-12,823.72
12/05/2020	B2033611728	ALLIED ADMINISTRATORS FOR DELTA DENTAL	-660.31
12/07/2020	EDD12112020	EDD	-1,081.52
12/09/2020		QuickBooks Payroll Service	-150.00
12/09/2020	21931	PATHIAN ADMINISTRATORS	-172.40
12/09/2020	21932	CARMEL & NACCASHA LLP	-2,427.60
12/09/2020	21933	PG&E LS#1	-376.15
12/09/2020	21934	PG&E LS#2	-770.63
12/09/2020	21935	PG&E LS#3	-128.42
12/09/2020	21936	PG&E LS#4	-414.14
12/09/2020	21937	PG&E OFFICE	-184.95
12/09/2020	21938	WELLS FARGO VENDOR FIN SERV	-213.43
12/10/2020		QuickBooks Payroll Service	-13,485.29
12/10/2020	DD12102020	LESSI, AMY M	0.00
12/10/2020	DEF11272020	CALPERS (RETIREMENT)	-1,025.00
12/10/2020	PERS112720	CALPERS (RETIREMENT)	-1,749.43
12/11/2020	DD121120201	COLLINS, JONATHAN W	0.00
12/11/2020	DD121120203	GOOD, GAYLE	0.00
12/11/2020	DD121120205	LAKEY, NICK E	0.00
12/11/2020	DD121120206	LESSI, AMY M	0.00
12/11/2020	DD121120208	OWENS, JUSTIN D	0.00
12/11/2020	21928	CHIVENS, DAN P	-91.35
12/11/2020	21929	ENNS, ROBERT	-91.35
12/11/2020	DD121120202	FRANK, ROBERT W	0.00
12/11/2020	DD121120204	KOON, RICHARD L	0.00
12/11/2020	21930	LYON, SHIRLEY A	-91.35
12/11/2020	DD121120207	MILLER, HANNAH P	0.00
12/11/2020	FED12112020	US TREASURY	-4,467.50
12/11/2020	DEF12112020	CALPERS (RETIREMENT)	-1,025.00
12/11/2020	PERS121120	CALPERS (RETIREMENT)	-1,749.43
12/11/2020		MECHANIC'S BANK SERVICE FEE	-219.80

Date	Num	Name	Amount
12/14/2020	21940	BREZDEN PEST CONTROL	-131.00
12/14/2020	21941	CALNET3	-314.67
12/14/2020	21942	CSA 10A SLO CO PW LS#3	-187.59
12/14/2020	21943	CSA 10A SLO CO PW LS#4	-187.59
12/14/2020	21944	PG&E LS#5	-1,370.67
12/14/2020	21945	CAYUCOS SANITARY DISTRICT WELLS FARGO ACT	-150,000.00
12/16/2020	21946	FIRSTNET (AT&T)	-279.65
12/16/2020	21947	MISSION UNIFORM SERVICE	-192.80
12/18/2020	21948	CITY OF MORRO BAY	-95,827.08
12/18/2020	21949	N. BRENT KNOWLES CONSTRUCTION	-7,800.00
12/18/2020	21950	POSM SOFTWARE LLC	-2,000.00
12/18/2020	21951	CAYUCOS SANITARY DISTRICT WELLS FARGO ACT	-350,000.00
12/23/2020		QuickBooks Payroll Service	-17,512.26
12/24/2020	DD1224201	COLLINS, JONATHAN W	0.00
12/24/2020	DD1224202	GOOD, GAYLE	0.00
12/24/2020	DD1224203	HOOPER, SARAH L	0.00
12/24/2020	DD1224204	KOON, RICHARD L	0.00
12/24/2020	DD1224205	LAKEY, NICK E	0.00
12/24/2020	DD1224206	LESSI, AMY M	0.00
12/24/2020	DD1224207	OWENS, JUSTIN D	0.00
12/24/2020	DD1224208	WINN, CHRISTOPHER M	0.00
12/24/2020	DD1224209	KOON, RICHARD L	0.00
12/24/2020	DD1224210	LAKEY, NICK E	0.00
12/24/2020	DD1224211	OWENS, JUSTIN D	0.00
12/24/2020	EDD12242020	EDD	-1,466.81
12/24/2020	FED12242020	US TREASURY	-6,035.00
12/24/2020	PERS122420	CALPERS (RETIREMENT)	-2,648.70
12/24/2020	DEF12242020	CALPERS (RETIREMENT)	-1,025.00
12/29/2020	21952	ADVANTAGE ANSWERING PLUS	-93.37
12/29/2020	21953	BUSINESS CARD 4841	-132.62
12/29/2020	21954	BUSINESS CARD 8913	-717.09
12/29/2020	21955	COASTAL COPY, INC	-92.69
12/29/2020	21956	EXECUTIVE JANITORIAL	-180.00
12/29/2020	21957	SCP DISTRIBUTORS LLC	-177.38
12/29/2020	21958	SLO AIR POLLUTION CONTROL DISTRICT	-875.45
12/29/2020	21959	SOCAL GAS	-27.01
12/29/2020	21960	STAPLES ADVANTAGE (Gov. Acct)	-124.58
12/29/2020	21961	STATE WATER RESOURCES CONTROL BOARD	-254.00
12/29/2020	21962	EXXONMOBIL	-382.21
12/30/2020	11225198289	COLONIAL LIFE INSURANCE PREMIUMS	-172.20
		Total Operating Expenses	-688,831.10
		Less Transfer to CIP	500,000.00
		Grand Total	-\$188,831.10

**Cayucos Sanitary District
CIP/CSWP Account
(Payments Only)
December 2020**

AGENDA ITEM: <u>3.C.1a</u>
DATE: <u>January 21, 2021</u>

Date	Num	Name	Amount
12/09/2020	11448	CARMEL & NACCASHA LLP	-877.20
12/18/2020	11449	ALPHA ELECTRICAL SERVICE, INC.	-856.50
12/29/2020	11450	ASHLEY & VANCE	-2,775.00
12/29/2020	11451	XYLEM WATER SOLUTIONS U.S.A., INC.	-18,184.86
Total CIP Expenses			-\$22,693.56

**Cayucos Sanitary District
CSWP Construction Account
(Payments Only)
December 2020**

AGENDA ITEM: 3.C.1b

DATE: January 21, 2021

Date	Num	Name	Amount
12/01/2020	5238	CUSHMAN CONTRACTING CORPORATION	-827,020.00
12/01/2020	5239	DAVID CRYE GENERAL ENGINEERING CONTRACTOR	-216,600.00
12/01/2020	5240	FIRMA CONSULTANTS, INC	-4,563.70
12/01/2020	5241	GEOSOLUTIONS, INC	-3,580.75
12/01/2020	5242	RAMINHA CONSTRUCTION, INC.	-127,917.50
12/01/2020	5243	WATER SYSTEMS CONSULTING, INC.	-137,430.99
12/03/2020	5244	COASTAL COPY, INC	-57.58
12/03/2020	5245	RANCH WIFI	-135.00
12/09/2020	5246	HARVEY'S HONEY HUTS	-420.36
12/14/2020	5247	CALNET3	-45.47
12/14/2020	5248	PG&E TORO - CONST OFC	-345.61
12/29/2020	5249	MOBILE MODULAR MANAGEMENT CORPORATION	-924.34
12/29/2020	5250	WELLS FARGO VENDOR FIN SERV	-249.98
Total CSWP Construction Expenses			-\$1,319,291.28

Cayucos Sanitary District Cash, Savings and Investment Report December 2020

AGENDA ITEM: 3.C.2

DATE: January 21, 2021

Bank Accounts	Current Balance	
Mechanic's Bank Checking	\$170,296	
Wells Fargo CIP	\$1,943,064	
Wells Fargo CFF	\$190,584	
Petty Cash	\$175	
LAIF	\$8,435	
Total	\$2,312,553	
CSWP Project/Asset Accounts		
Western Alliance Const. Interest Reserve	\$29	
Western Alliance Series A Account	\$26	
Western Alliance Series A-1 Account	\$149,058	
Western Alliance Series B Account	\$0	
WF CSWP Constr. Oper. Acct.	\$123,002	
WF CSWP Constr. Impound Acct.	\$971,132	
Total	\$1,243,247	
Investments		
Wells Fargo CalTrust	\$1,685,925	
Cetera Cash/MM	\$737,464	
Cetera Treasury/Securities	\$77,278	(Fixed Income)
Total	\$2,500,667	
Grand Total	\$6,056,467	
MCD Rabobank Deposit CD	\$25,000	Franchise Deposit on Hold

**Cayucos Sanitary District
FY 20/21 Financial Report
December 2020**

AGENDA ITEM: 3.C.3

DATE: January 21, 2021

	Current Month	YTD Actual Rev/Exp	YTD Budget	Approved Budget 20/21	% of Budget
Ordinary Income/Expense					
Income					
4000 · SEWER INCOME	257,100	1,517,491	1,468,075	2,936,150	52%
4100 · WILL SERVE INCOME	8,460	33,815	17,150	34,300	99%
4200 · RENTAL INCOME	-	35,533	16,100	32,200	110%
4300 · SOLID WASTE INCOME	2,902	45,851	44,800	89,600	51%
4400 · SLOCO TAX ASSESSMENTS	275,526	460,275	485,850	971,700	47%
4500 · SAVINGS INTEREST INCOME	(10)	52	100	200	26%
4600 · INVESTMENT INTEREST	1,336	11,782	13,800	27,600	43%
4700 · OTHER INCOME	35	4,569	2,300	4,600	99%
Total Income	<u>545,349</u>	<u>2,109,368</u>	<u>2,048,175</u>	<u>4,096,350</u>	<u>51%</u>
Expense					
5000 · PAYROLL EXPENSES					
5100 · ADMINISTRATIVE PAYROLL	26,209	165,926	169,050	338,100	49%
5200 · COLLECTIONS PAYROLL	13,318	84,835	58,100	116,200	73%
5300 · TREAT PAYROLL	6,413	6,853		209,000	3%
5400 · DIRECTOR PAYROLL	500	3,100	4,000	8,000	39%
5500 · VESTED PAYROLL BENEFITS	417	2,502	2,500	5,000	50%
5600 · ADMIN PAYROLL TAXES & BENEFITS	9,456	89,139	60,475	120,950	74%
5700 · COLL PAYROLL TAXES & BENEFITS	7,100	63,525	42,825	85,650	74%
5800 · TREAT PAYROLL TAXES & BENEFITS	955	955		68,450	1%
5900 · DIRECTOR PAYROLL TAXES & BENEFITS	38	237	250	500	47%
Total 5000 · PAYROLL EXPENSES	<u>64,405</u>	<u>417,073</u>	<u>337,200</u>	<u>951,850</u>	<u>44%</u>
6000 · OPERATING EXPENSES					
6050 · SPECIAL PROJECTS	-	-	6,500	13,000	0%
6100 · ADMIN OPERATING EXPENSES	5,466	664,726	891,550	1,783,100	37%
6500 · COLLECTIONS OPERATING EXPENSES	7,547	56,636	109,600	219,200	26%
7000 · TREATMENT OPERATING EXPENSES	2,047	99,973	402,500	805,000	12%
Total 6000 · OPERATING EXPENSES	<u>15,060</u>	<u>821,335</u>	<u>1,410,150</u>	<u>2,820,300</u>	<u>29%</u>
Total Expense	<u>79,465</u>	<u>1,238,408</u>	<u>1,747,350</u>	<u>3,772,150</u>	<u>33%</u>
Net Ordinary Income	<u>465,884</u>	<u>870,960</u>	<u>300,825</u>	<u>324,200</u>	<u>269%</u>
Net Income	<u><u>465,884</u></u>	<u><u>870,960</u></u>	<u><u>300,825</u></u>	<u><u>324,200</u></u>	<u><u>269%</u></u>

**Cayucos Sanitary District
Capital Improvement Projects Report
FY 20/21
December 2020**

AGENDA ITEM: <u>3.C.4</u>
DATE: <u>January 21, 2021</u>

	Current Month	YTD Actual Rev/Exp	Approved Budget 20/21	Percent Used YTD
CAPITAL IMPROVEMENTS				
1601 - Sewer Main Replacements	0.00	0.00	85,000.00	0%
1601.02 - Chaney to LS #5	0.00	0.00	70,000.00	0%
1609 - Lift Stations 1 & 4 Repairs				
1609.2 - LS #4 Replacement Pump	19,041.36	0.00	22,000.00	0%
1612 - ALL LIFT STATIONS				
1612.1 - Lift Station SCADA System	0.00	58,727.86	65,000.00	90%
1614 - Lift Station #5				
1614.1 - Inflow & Infiltration Study	0.00	0.00	28,000.00	0%
1615 - Outfall Tie-In	0.00	0.00	45,000.00	0%
1616 - RWQCB Recycled Water Program	0.00	0.00	50,000.00	0%
Total 1600 CAPITAL IMPROVEMENTS	19,041.36	\$58,727.86	\$365,000.00	16%



AGENDA ITEM: 4.A

DATE: January 21, 2021

CAYUCOS SANITARY DISTRICT

TO: BOARD OF DIRECTORS

**FROM: RICK KOON
DISTRICT MANAGER**

SUBJECT: MONTHLY MANAGERS REPORT: JANUARY 2021

DATE: JANUARY 14, 2021

ADMINISTRATIVE:

- The District continues the COVID-19 protection protocols for all employees as required by Cal-OSHA and the new State mandates. Staff vaccinations may occur as soon as February.
- Staff has updated all forms on the District website to be “fillable” so that customers may fill them out by typing directly into the website.
- Staff has completed the calendar year end forms such as W-2’s, payroll taxes and 1099’s.
- On January 8th, staff was notified of a potential leak in the Lift Station #1 force main in front of 77 Ocean Ave. District staff and Knowles Construction responded and replaced an original 6” x 8” push-on reducer.

CAPITAL PROJECTS:

- Working with Bond Counsel and USDA for final loan approval
- LAFCO application process for District Boundary
- Toro Creek Pipeline Project and ongoing Lift Station #5 construction
- Caltrans Bridge Replacement Project

OPERATIONS AND MAINTENANCE

December 2020

CIP:

- Raminha install new 4-way T in LS 5 valve vault

Daily Operations of Note:

- H2S leaving Lift Station #5 Average 54 ppm Max 151 ppm
- Lift Station #5 - average temperature 66.6° f
- Lift Station #1 - average pH 9.46
- Target Solutions Training for SDRMA
- Respond to 36 Underground Service Alerts
- District virtual meeting regarding COVID, enact new protocols
- Pump down, scrape, and bleach wet wells
- Jet 2880 ft of sewer main
- Sandbag manholes on Chaney, Hacienda, and Richard Ave.
- Inspect fire extinguishers and eye wash stations
- Test capacities and fluid levels of standby generator batteries
- Wash and polish MCC and transfer switch cabinets at all lift stations
- Install new pump at Lift Station #4 w/ Alpha Electric
- Clean Lift Station# 5 valve vault with Vermeer
- Rebuilt light standards at District office
- Setup remote power cycle ability for lift station cell modems
- Training at CSWP on headworks operation
- Clean and remove asphalt from District facilities on newly paved roads
- Train JO on trailer pulling and backing
- AT&T out to Lift Station #3 to repair land line
- Treat rust and repaint gen set at Lift Station #3

Call Outs:

None



AGENDA ITEM: 5

DATE: January 21, 2021

CAYUCOS SANITARY DISTRICT

TO: BOARD OF DIRECTORS

**FROM: RICK KOON
DISTRICT MANAGER**

DATE: JANUARY 14, 2021

**SUBJECT: DISCUSSION AND CONSIDERATION TO APPROVE AMENDMENT #1
IN THE AMOUNT OF \$264,525.00 TO THE AGREEMENT WITH
WATER SYSTEMS CONSULTANTS, INC. (WSC) FOR
PROFESSIONAL ENGINEERING SERVICES IN THE CONSTRUCTION
OF THE CAYUCOS SUSTAINABLE WATER PROJECT SUBJECT TO
FINAL APPROVAL BY THE USDA**

DISCUSSION:

Per the District's loan agreement with the USDA, the District is required to retain the services of the Engineer of Record along with a Resident Project Representative. With the approval of the USDA, the District contracted with WSC to provide these services. The WSC original contract amount will be expended by next month. Based on the estimated upcoming project completion in March/April, along with the final As-Builts and compliance reporting required by the permitting agencies, WSC has prepared addendum #1 to their original contract.

Staff has reviewed addendum #1 and concurs with the WSC request as outlined in the attached letter.

Because the WSC contract and this addendum are reimbursable by the USDA, the USDA must also approve this addendum #1.

RECOMMENDATION:

Approve Amendment #1 in the amount of \$264,525.00 to the agreement with Water Systems Consultants, Inc. (WSC) for Professional Engineering Services in the construction of the Cayucos Sustainable Water Project subject to final approval by the USDA.



1/14/2021

Rick Koon
Cayucos Sanitary District
200 Ash Ave
Cayucos, CA 93430

SUBJECT: ENGINEERING AGREEMENT AMENDMENT REQUEST FOR THE CAYUCOS SUSTAINABLE WATER PROJECT

Dear Mr. Koon,

As we near completion of the first phase of the Cayucos Sustainable Water Project (CSWP) and move into start-up and commissioning, it has become apparent that the total budget established by our contract with the District will be exceeded due to the increase in completion time-related pandemic delays and additional scope of services encountered during the project construction. The purpose of this letter is to request that our agreement be amended to extend the contract term from February 5, 2021 to June 30, 2021 and include all of the remaining services required for successful completion and compliance with USDA Loan requirements.

Since our agreement with the District is time and materials, WSC has been able to be flexible in including District directed project needs as they have arisen including: compilation of reports as required by the lending agency, compilation of information for public records requests, NPDES permitting requirements, Lift Station 5 rebidding, and additional RPR services for the Lift Station and Pipeline portions of the Project to address Contractor needs. While these efforts have been beneficial and reduced the overall program costs, they have increased WSC's original scope of work.

We are requesting an amendment in the amount of \$264,525. This amendment will be on a time and materials basis consistent with the terms of our agreement, and subject to USDA review and approval. If the project is completed earlier than anticipated, any unexpended portions of this amendment will remain with the District.

Please see the attached amendment (Exhibit K) and the attached fee estimate for additional detail.

WSC appreciates the opportunity to assist the District in bringing the CSWP to this point, and we look forward to construction completion and successful operations.

Sincerely,

Water Systems Consulting, Inc.

A handwritten signature in blue ink, appearing to read "Dylan Wade", is written over a horizontal line.

Dylan Wade, PE, CCM.
Vice President

This is **EXHIBIT K**, consisting of 2 pages, referred to in and part of the **Agreement between Owner and Engineer for Professional Services** dated May, 15, 2019.

**AMENDMENT TO OWNER-ENGINEER AGREEMENT
Amendment No. 1**

The Effective Date of this Amendment is: February 6, 2021.

Background Data

Effective Date of Owner-Engineer Agreement:

Owner: Cayucos Sanitary District

Engineer: Water Systems Consulting

Project: Cayucos Sustainable Water Project

Nature of Amendment: [Check those that are applicable and delete those that are inapplicable.]

Additional Services to be performed by Engineer

Modifications to time(s) for rendering services

Description of Modifications:

Extend the time of performance to accommodate the extension of project completion dates for Covid 19 related delays to project start up and coordination between the Lift Station 5 and the WRRF. Substantial Completion of all project elements planned for April 2021 and Final Completion in June 2021.

WSC to provide, or has already provided these additional services: permitting assistance, Lift Station 5 re-design and re-bidding, QSP services for final Solar Site Grading, Saturday Observations of pipeline work and NPDES discharge licensing of the Facility. Owner's Operational staff will prepare the facility Operations and Maintenance Manual with WSC to review and assist.

Agreement Summary:

Original agreement amount: (Construction and Post)	\$2,418,120
Net change for prior amendments:	\$ 0
This amendment amount:	\$ 264,525
Adjusted Agreement amount:	\$2,682,645

Change in time for services (days or date, as applicable): 145

The foregoing Agreement Summary is for reference only and does not alter the terms of the Agreement, including those set forth in Exhibit C.

Owner and Engineer hereby agree to modify the above-referenced Agreement as set forth in this Amendment. All provisions of the Agreement not modified by this or previous Amendments remain in effect.

OWNER:

ENGINEER:

By: _____
Print name: Rick Koon

By: _____
Print name: Dylan Wade

Title: District Manager

Title: Vice President

Date Signed: _____

Date Signed: _____



Task No.	Task Description	WSC								ALL FIRMS
		Engineer of Record	Resident Project Representative	Electrical and Controls	Project Engineer	WSC Labor Hours	WSC Labor Fee	Expenses	WSC Fee	Total Fee
		Dylan Wade	Robin Rice	Haley Lehman	Kendall Stahl					
	<i>Billing rates, \$/hr</i>	\$265	\$175	\$145	\$135					
0	Construction and Post Construction Phase									
0.1	Construction and Post Construction	468			704	1172	\$ 219,060	\$ -	\$ 219,060	\$ 219,060
	SUBTOTAL	468	0	0	704	1172	\$ 219,060	\$ -	\$ 219,060	\$ 219,060
1	Resident Project Representative Services									
1.1	Resident Project Representative Services		138	147		285	\$ 45,465	\$ -	\$ 45,465	\$ 45,465
	SUBTOTAL	0	138	147	0	285	\$ 45,465	\$ -	\$ 45,465	\$ 45,465
	COLUMN TOTALS	468	138	147	704	1,457	\$ 264,525	\$ -	\$ 264,525	\$ 264,525

10% mark-up on direct expenses; 15% mark-up for sub-contracted services
 Standard mileage rate \$0.57 per mile (or current Federal Mileage Reimbursement Rate)
 Airplane mileage rate \$1.27 per mile (or current Federal Airplane Mileage Reimbursement Rate)
 Rates are subject to revision as of January 1 each year.



AGENDA ITEM: 6

DATE: January 21, 2021

CAYUCOS SANITARY DISTRICT

TO: BOARD OF DIRECTORS

**FROM: RICK KOON
DISTRICT MANAGER**

DATE: JANUARY 14, 2021

**SUBJECT: DISCUSSION AND CONSIDERATION TO APPROVE RESOLUTIONS
IN ORDER TO CONVERT THE WESTERN ALLIANCE BANK
CONSTRUCTION FINANCING TO THE USDA LOANS**

DISCUSSION:

For the past three months, the District has been working with District Bond Counsel and the USDA to close out the short-term construction loans with Western Alliance Bank and convert them to the long-term USDA loan. Per our discussions with the USDA, the District is able to receive 100% of the USDA loan amounts (totaling \$24M) at this time, with the remaining \$4.5M in grant monies available at the completion of the project.

Closing of the USDA loans will take place in February at the final interest rate of 1.75%. Originally when the District first signed the loan paperwork, the USDA loans were at 2.675% and 3.25%.

In October of last year, the District requested the USDA consider if being able to close the loans prior to project completion would be possible. The USDA granted that request. This will result in a savings of over \$200K in interest per year for the District.

The following Resolutions and Agreements are what is required to receive the loan monies from the USDA. All documents have been approved by the District's Bond Counsel and the USDA's Office of General Counsel.

RECOMMENDATION:

Approve the Resolutions in order to convert the Western Alliance Bank Construction Financing to the USDA Loans.

RESOLUTION 2021-01 JANUARY 21, 2021

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$24,301,500 AND APPROVING AN INSTALLMENT SALES AGREEMENT, A TRUST AGREEMENT AND AN ASSIGNMENT AGREEMENT AND RELATED ACTIONS

WHEREAS, the Cayucos Sanitary District (the “District”) is a sanitary district formed under Section 6400 et seq. of the California Health & Safety Code and validly existing under the laws of the State of California;

WHEREAS, the District, working together with Public Property Financing Corporation of California (the “Corporation”), proposes to refinance the Western Alliance construction loan, used to construct the wastewater treatment plant (the “Project”), as more particularly described in the hereinafter defined Installment Sale Agreement, and it is in the public interest and for the public benefit that the District authorize the direct execution of the Installment Sale Agreement and certain other financing documents in connection therewith;

WHEREAS, the documents identified below have been filed with the District and the Board of Directors of the District (the “Board”), with the aid of staff, have reviewed such documents.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. Certificates of Participation (2021 Cayucos Sustainable Water Project) in an aggregate principal amount not to exceed \$24,301,500 (the “Certificates”), which shall consist of four separate Certificates in the respective principal amounts of \$9,900,000, \$8,000,000, \$4,194,500, \$2,207,000, are hereby authorized to be executed and delivered pursuant to the Trust Agreement, as hereinafter defined.

Section 3. The below-enumerated documents be and are hereby approved, and the President of the Board, and such other member of the Board as the President may designate, the District Manager of the District, and such other officers of the District as the District Manager of the District may designate (each, an “Authorized Officer”) are hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by an Authorized Officer, and the Secretary is hereby authorized and directed to attest to such Authorized Official’s signature:

(a) the Installment Sale Agreement, relating to the Project, by and between the Corporation, as seller, and the District, as purchaser (the “Installment Sale Agreement”), so long as the total principal amount of the Installment Sale Agreement does not exceed \$24,301,500;

(b) the Trust Agreement, by and among the Corporation, the District and the District Manager, as trust administrator (the “Trust Administrator”), relating to the financing, and the execution and delivery of the Certificates (the “Trust Agreement”); and

(c) the Assignment Agreement, by and between the Corporation and the Trust Administrator, pursuant to which the Corporation will assign certain of its rights under the Installment Sale Agreement, including its right to receive the respective installment payments, to the Trust Administrator (the “Assignment Agreement”).

Section 4. An offer to purchase the Certificates, submitted to the District by the United States of America, acting through The Rural Utilities Service, be and is hereby approved, and the District Manager is hereby authorized and directed to indicate the District’s acceptance of such offer by the execution thereof, with such changes, insertions, and omissions as may be approved by such official, so long as the aggregate principal amount of the Certificates does not exceed \$24,301,500.

Section 5. The officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute such other agreements, documents, and certificates as may be necessary to effect the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

Section 6. This Resolution shall take effect immediately upon its adoption.

On motion of Director _____, seconded by Director _____, and on the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

The foregoing Resolution is hereby adopted this 21st day of January, 2021.

ATTEST:

Rick Koon, District Manager

Robert B. Enns, Board President

(SEAL)

INSTALLMENT SALE AGREEMENT

Dated as of February 1, 2021

between the

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

and the

**CAYUCOS SANITARY DISTRICT,
as Purchaser**

**\$24,301,500
Cayucos Sanitary District
Certificates of Participation
(2020 Cayucos Sustainable Water Project)**

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of February 1, 2021, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as seller (the “Corporation”), and the CAYUCOS SANITARY DISTRICT, a special district organized and existing under the laws of the State of California, as purchaser (the “District”);

WITNESSETH:

WHEREAS, the District wishes to refinance the acquisition, installation and construction of certain improvements to the Enterprise, including but not limited to, the construction, acquisition, and improvement of the Cayucos Sustainable Water Project within the District and the acquisition of certain real property located at 800 Toro Creek Road, Morro Bay, California as more particularly described in Exhibit A hereto (collectively, the “Project”); and

WHEREAS, the Corporation has been formed for the purpose, among others, of assisting the District in the financing or refinancing of public capital improvements within or of benefit to the District; and

WHEREAS, to that end, the Corporation will cause the execution and delivery of Certificates of Participation in the principal amount of \$24,301,500 (the “Certificates”), and apply the proceeds of the sale thereof to pay the Western Alliance construction loan, used to construct the Project; and

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

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

WHEREAS, the Corporation will assign its right to receive Installment Payments to the District Manager of the Cayucos Sanitary District, as trust administrator, pursuant to an Assignment Agreement, dated as of February 1, 2021 (the “Assignment Agreement”) for the benefit of the Owners (as defined herein) of the Certificates; and

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

ARTICLE I **GENERAL**

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Exhibit A attached to the Trust Agreement, dated as of February 1, 2021, among the District Manager of the Cayucos Sanitary District, as Trust Administrator, the Corporation and the

District, shall, for all purposes of this Installment Sale Agreement, have the meanings specified therein.

Section 1.02. Representations, Covenants and Warranties. The District and the Corporation represent, covenant and warrant to each other as follows:

(a) Each is validly organized and existing under the laws of the State.

(b) The laws of the State authorize each to enter into this Installment Sale Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and each is duly authorized to execute such agreements.

(c) The execution and delivery of this Installment Sale Agreement, the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, and the consummation of the transactions contemplated by this Installment Sale Agreement and the Trust Agreement do not conflict with and do not result in a material breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which either is now a party or by which either is bound or constitutes a default under any such agreement or instrument.

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

(e) Upon the execution and delivery of the Certificates, the District will not have any obligations which will be outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the payment of the Installment Payments as provided herein.

Section 1.03. Written Certificates.

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

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

given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based is erroneous. The same District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Sale Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Installment Sale Agreement:

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

ARTICLE II **DEPOSITS; PAYMENTS**

Section 2.01. Deposit of Moneys. On the Closing Date, the Corporation shall cause to be deposited with the Trust Administrator the amount derived from Certificates proceeds (\$24,301,500) in the funds as provided in the Trust Agreement.

Section 2.02. Payment and Prepayment of the 2018 Installment Payments and 2019 Installment Payments and Delivery Costs. The proceeds received by the Trust Administrator pursuant to Section 2.01 hereof shall be deposited in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.02 of the Trust Agreement and such moneys shall be disbursed for such purpose in accordance and upon compliance with Sections 3.02 and 3.03, respectively, of the Trust Agreement.

Section 2.03. Unexpended Proceeds. In accordance with Section 3.04 of the Trust Agreement, all excess moneys remaining in the Installment Payment Fund and not required for payment and prepayment of the 2018 Series A Installment Payments, the 2018 Series B Installment Payments and the 2019 Installment Payments shall and applied to the prepayment of Certificates.

ARTICLE III **PROJECT SALE AND TITLE; INSTALLMENT PAYMENTS; NET REVENUES**

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

Section 3.02. Title. Upon the Closing Date, all of the Corporation's remaining interest in the Project, if any, shall be transferred to and vest in the District, without the necessity of any additional document or transfer. Nothing herein shall require the Corporation to perform any obligations of any purchaser with respect to any contract or purchase order with respect to the Project.

Section 3.03. Assignment by the Corporation. The Corporation's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the District under this Installment Sale Agreement, have been assigned to the Trust Administrator, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District hereby consents. The District understands and agrees that the Corporation has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Trust Administrator pursuant to the Assignment Agreement for the benefit of the Owners of the Certificates. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trust Administrator at the Trust Administrator's principal corporate trust office or at such other place as the Trust Administrator shall direct in writing, all payments payable by the District pursuant to this Installment Sale Agreement.

Section 3.04. Term of the Installment Sale Agreement. The Term of the Installment Sale Agreement shall be as provided in Exhibit A to the Trust Agreement.

Section 3.05. Installment Payments.

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

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

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

Section 3.06. Special Obligation of the District.

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

Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments.

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

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

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

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

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

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

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

(a) **Pledge of Net Revenues.** The District hereby agrees that the payment of the Installment Payments shall be secured by a first pledge, charge and lien upon Net Revenues which pledge, charge and lien are on a parity with the pledge, charge and lien securing the installment payments payable with respect to any Parity Debt, and Net Revenues sufficient to pay the Installment Payments as they become due and payable are hereby pledged, charged, assigned, transferred and set over by the District to the Corporation and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

(b) **Transfer to Pay Installment Payments.** In order to provide for the payment of Installment Payments when due, the District shall, on or before each Installment Payment Date, transfer to the Trust Administrator for deposit into the Installment Payment Fund the amount indicated in Exhibit B attached hereto as required for the next occurring Installment Payment Date. Notwithstanding Exhibit B attached hereto, the District shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Certificates.

(c) **Release from Lien.** Following the transfer described in paragraph (b) of this Section 3.07 with respect to each August 1 Installment Payment Date, Net Revenues in excess of amounts required for the payment of the Installment Payments, and amounts payable pursuant to any additional Parity Debt, if any issued or incurred in accordance with Section 3.09(b), and for the replenishment of the Reserve Fund in that Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the District.

Section 3.08. Rate Covenant; Rate Stabilization Fund. (a) Rate Covenant. The District hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Enterprise which, after allowances for contingencies and error in the estimates, shall produce Net Revenues in each Fiscal Year equal to at least 1.20 times (i) the Installment Payments coming due and payable during such Fiscal Year, (ii) all payments required with respect to Parity Debt, and (iii) amounts required to replenish the Reserve Fund, as required by Section 6.05 of the Trust Agreement.

(b) Rate Stabilization Fund. The District is authorized to create, at such time as determined by the District, a separate fund (or an account within a fund) to be known as the "Rate Stabilization Fund," to be held and maintained by the District. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (b). The District shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor.

For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (a), the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund for purposes of such computation; provided, that such

transfers shall be made until (but not after) one hundred twenty (120) days after the end of such Fiscal Year. In addition, the District shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund at any time and for any other lawful purpose.

(c) **Cure Provision.** If the District violates the covenants set forth in subsection (a) above, such violation shall not, in and of itself, be a default under this Installment Sale Agreement and shall not give rise to a declaration of an Event of Default if (i) the coverage calculated hereunder does not decrease below 1.00 times the sum of (A) annual Installment Payments, (B) payments due on Parity Debt, (C) amounts sufficient to maintain the Reserve Fund at the Reserve Requirement, and (D) Operation and Maintenance Expenses and, (ii) within 120 days after the date such violation is discovered, the District hires an Independent Financial Consultant or an Independent Engineer to review the revenues and expenses of the Enterprise and abides by such consultant's recommendations to revise the schedule of rates, fees and charges and to revise any Operation and Maintenance Expenses insofar as practicable and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that if the District does not cure such violation within twelve (12) months succeeding the date such violation is discovered, an Event of Default shall be deemed to have occurred under Section 7.01(b).

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

(a) **No Obligations Superior to Installment Payments.** In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Debt, the District hereby agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues which are secured by a pledge of or lien on the Net Revenues or Gross Revenues which is senior to the pledge and lien which secures the Installment Payments or any Parity Debt.

(b) **Parity Debt.** The District further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 4.02 hereof, the District shall not issue or incur any Parity Debt unless:

(i) The District is not in default under this Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent 12-month period selected by the District ending not more than 60 days prior to the adoption of the resolution pursuant to which instrument such Parity Debt is issued or incurred, as shown by the books of the District, plus the estimated amount of the increase in the Net Revenues for the first full 12-month period in which the proposed additions to or improvements or extensions of the Enterprise to be funded by such Parity Debt will be in operation, as shown by an opinion of an independent recognized consulting engineer, equals at least 1.20 times the sum of the average annual Installment Payments, average Annual Debt Service on all outstanding Parity Debt outstanding at the time the additional parity obligations are issued or incurred, and average Annual Debt Service on all additional parity bonds or additional parity obligations proposed to be issued or

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

(A) An allowance for revenues from any additions to or improvements or extensions of the Enterprise to be constructed with the proceeds of such Parity Debt, and also for net revenues from any such additions, improvements or extensions which have been constructed from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificates or opinion of a qualified independent consultant employed by the District, may be added to such Net 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 Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificates or opinion of a qualified independent engineer employed by the District.

(iii) So long as all of the Outstanding Certificates are held by the Original Purchaser, the prior written consent of such Certificates Owner shall have been obtained, which consent shall not be unreasonably withheld.

(iv) The provisions of subsection (ii) of this Section shall not apply to any Parity Debt if (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Debt and to make any reserve fund deposit pursuant to subsection (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 Certificates or on any outstanding Parity Debt, (B) at the time of the incurring of such Parity Debt, the District certifies in writing that Maximum Annual Debt Service on the refunding Parity Debt will not exceed Maximum Annual Debt Service on the Outstanding Certificates or Parity Debt being refunded, and (C) the final maturity of the refunding Parity Debt is not later than the final maturity of the refunded Certificates or Parity Debt.

Section 3.10. Additional Payments. In addition to the Installment Payments, the District shall pay, from Net Revenues, when due all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Construction Fund), compensation due to the Trust Administrator for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

Section 3.11. Payments to Reserve Fund. In addition to the Installment Payments, the District shall pay to the Trust Administrator, from Net Revenues, (a) on each Installment

Payment Date, and for the Term of the Installment Sale Agreement, an amount equal to one-tenth (1/10th) of the average annual Installment Payments (which as of the Closing Date is \$_____); provided, that such amount will not exceed the maximum amount set forth in the definition of Reserve Requirement, and (b) such amounts as shall be required to replenish the Reserve Fund in the event of a draw therefrom or a valuation determines that a deficiency exists therein, all in accordance with Section 6.05 of the Trust Agreement; provided, however, that in the event the amount on deposit in the Reserve Fund reaches the Reserve Requirement, the District shall discontinue the aforesaid payments to the Reserve Fund (except to the extent necessary to replenish the Reserve Fund) and direct the application of such payments to the payment of Operation and Maintenance Expenses and any further interest earnings on the Reserve Fund shall be allocated under Section 8.03 of the Trust Agreement. For purposes of payment of such Operation and Maintenance Expenses, the District shall establish and maintain a fund designated the "Renewal and Replacement Fund" into which such moneys shall be placed.

ARTICLE IV
PREPAYMENT OF INSTALLMENT PAYMENTS

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

Section 4.02. Optional Prepayment. Subject to the terms and conditions of this Section 4.02, the Corporation hereby grants an option to District to prepay the Installment Payments in full, by paying the total unpaid principal component of the Installment Payments as set forth in Exhibit B or in part, but not in an amount of less than the Denomination Amount or any integral multiple thereof, at any one time. Said option may be exercised on any date following written notice by the District to the Corporation and the Trust Administrator of the exercise of such option at least thirty (30) days prior to date designated for prepayment. Such option shall be exercised in the event of prepayment in full, by depositing with the Trust Administrator by the applicable prepayment date cash in an amount sufficient to pay the total unpaid principal component of the Installment Payments as set forth in Exhibit B, together with any Installment Payments then due but unpaid together with accrued interest to the prepayment date, or, in the event of prepayment in part, by depositing with the Trust Administrator by the applicable date of prepayment, an amount divisible by the Denomination Amount equal to the amount desired to be prepaid together with any Installment Payments then due but unpaid together with accrued interest on the amount to be prepaid to the prepayment date.

In the event of prepayment in part, the partial prepayment shall be applied by the Corporation or its assignee against Installment Payments without penalty. Such prepayments shall be applied in inverse order of maturity. Except as reduced by the application of such partial prepayment, the then existing schedule of Installment Payments shall remain in full force and effect.

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

Installment Payment Fund for such purpose pursuant to Section 5.07 hereof or pursuant to Section 7.02 of the Trust Agreement; and (b) from any excess monies remaining in the Construction Fund and not required for payment of Construction Costs (“Unexpended Proceeds”). The District and the Corporation hereby agree that such Net Proceeds and Unexpended Proceeds shall be credited towards the District’s obligations under this Section 4.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the District on such date.

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

Section 4.05. Security Deposit. Notwithstanding any other provision of this Installment Sale Agreement, the District may, on any date, secure the payment of Installment Payments by a deposit with the Trust Administrator, as escrow holder under an escrow deposit and trust agreement as referenced in Section 14.01(d) of the Trust Agreement, of:

(a) **All Installment Payments.** in the case of a security deposit relating to all Installment Payments, either (i) an amount which, together with amounts on deposit in the Installment Payment Fund and the Reserve Fund, is sufficient to pay all unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) Defeasance Obligations, together with cash, if required, in such amount as will, in the opinion of nationally-recognized bond counsel and of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations then on deposit in the Installment Payment Fund and the Reserve Fund, be fully sufficient to pay all unpaid Installment Payments on their Installment Payment Date; or

(b) **Portion of Installment Payments.** in the case of a security deposit relating to a portion of the Installment Payments both (i) a Written Certificate executed by a District Representative designating the portion of the Installment Payments to which the deposit pertains, and (ii) cash or Defeasance Obligations, in such amount as will, together with interest to be received thereon, if any, and an allocable portion of amounts on deposit in the Installment Payment Fund and the Reserve Fund, be fully sufficient in the opinion of an independent certified public accountant, to pay the portion of the Installment Payments designated in the aforesaid District Representative’s Written Certificate.

(c) **Effect.** In the event of a deposit pursuant to this Section 4.05, all obligations of the District under this Installment Sale Agreement pertaining to the portion of the Installment Payments for which the deposit has been made shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments, or the portion of Installment Payments to which the deposit pertains, from the deposit made by District pursuant to this Section 4.05. Such deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Installment Sale Agreement; and further provided that any security deposit relating to the Project

shall not affect the covenant of the District contained in Section 3.09 hereof in the event such security deposit is insufficient to pay or prepay all Installment Payments relating to the Project when and as the same become due and payable. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to release the security provided hereby to the extent of such deposit.

Notwithstanding any contrary provision contained in this Article IV, so long as the Government is the Owner of the Certificates, the Certificates may not be defeased

ARTICLE V
MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.01. Maintenance, Taxes and Assessments, Contests.

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

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

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

Section 5.02. Modification of Project. The District shall, at its own expense, have the right to remodel the Project or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Installment Sale Agreement. Such additions, modifications and improvements shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section

5.02, shall be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements.

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

Section 5.04. Public Liability and Property Damage Insurance.

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

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

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

Section 5.05. Fire and Extended Coverage Insurance.

(a) **Insurance Policies.** The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any structures constituting any part of the Enterprise (excluding transmission and distribution pipelines and equipment in public and private rights-of-way) by

fire and lightning, with extended coverage insurance but not including earthquake insurance. Flood insurance shall only be required for those insurable structures located in special flood hazard areas designated by the Federal Emergency Management Agency on Flood Insurance Maps, such flood insurance to include equipment and machinery housed in such structures, but need not include water reservoirs, standpipes and elevated tanks. Such insurance shall be in an amount equal to the greater of 100% of the replacement cost of the Project or the then Outstanding principal amount of Certificates. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the District and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the District.

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

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

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

Section 5.07. Application of Net Proceeds.

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

District, upon receipt of a requisition, signed by the District Representative and, so long as all of the Outstanding Certificates are held by the Original Purchaser, the Owner of the Certificates stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The District covenants that it will commence such replacement, repair, restoration, modification or improvement or indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

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

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

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS; INDEMNITY

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

Section 6.02. Access to the Project and Records. To the extent permitted by law, the District agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The District further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the District to perform its obligations hereunder. In addition, the District agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have the right at all reasonable times to inspect and examine all books, papers and records of the Corporation and the District pertaining to the Project and the Certificates, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

Section 6.03. Indemnity. The District shall and hereby agrees to indemnify and save the Corporation and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of: (a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the District; (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement; (c) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (d) any act or negligence of any assignee or sublessee of the District with respect to the Project; or (e) the construction of the Project or the authorization of payment of the Construction Costs or Delivery Costs by the District or the Corporation. No indemnification is made under this Section 6.03, or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Corporation, its officers, agents, employees, successors or assigns.

ARTICLE VII **EVENTS OF DEFAULT AND REMEDIES**

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

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

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) of this Section 7.01, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trust Administrator or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, the Trust Administrator or such Owners, as applicable, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected; or

(c) The filing by the District of a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property; or

(d) An event of default shall have occurred and be continuing with respect to any Parity Debt.

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

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

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

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

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

To the extent permitted by law, the District shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Corporation or its assignee upon any claim arising out of the receipt, application or disbursement of any of the Net Revenues or involving the rights or duties of the Corporation or its assignee under this Installment Sale Agreement or the Trust Agreement; provided, that the Corporation and its assignee at their election may appear in and defend any such suit, action or proceeding. The District shall indemnify or cause to be indemnified the Corporation and its assignee against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. Notwithstanding any contrary provision hereof, this covenant shall remain in full

force and effect, even though all Installment Payments have been fully paid and satisfied, until a date which is three (3) years following the payment of the last of the Installment Payments.

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

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

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

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

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

ARTICLE VIII **MISCELLANEOUS**

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 8.08. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the

Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

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

Section 8.10 Notices. All notices, Written Certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail with postage fully prepaid:

The District:

Cayucos Sanitary District
200 Ash Avenue
Cayucos, California 93430
Attention: District Manager

The Corporation:

Public Property Financing Corporation of California
5 Townsgate Road, Suite 200
Westlake Village, California 91361
Attention: Bill Morton

The Trust Administrator:

Cayucos Sanitary District
200 Ash Avenue
Cayucos, California 93430
Attention: District Manager

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

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

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

CAYUCOS SANITARY DISTRICT

By: _____
District Manager

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**

By: _____
Authorized Representative

EXHIBIT A

DESCRIPTION OF PROJECT

The Project will consist of the acquisition, installation and construction of certain improvements to the Enterprise, including but not limited to the design and construction of a new Water Resource Recovery Facility (“WRRF”) for the Town of Cayucos at the Toro Creek site location. The WRRF will treat wastewater to tertiary standards via a Membrane BioReactor (“MBR”) process with Ultraviolet (“UV”) disinfection to Title 22 standards. Some treated effluent will be used onsite for process water, landscaping, and Fire suppression. The remaining treated effluent will be used for offsite agricultural irrigation or conveyed via the WRRF effluent pump station to the existing outfall for disposal. Biosolids would be dewatered and conveyed to a landfill or a permitted composting operation. The components of the Project are summarized as follows:

WRRF Treatment Facility Improvements

All site earthmoving, grading, and drainage improvements. Headworks, coarse and fine screens, grit separation and odor control systems. MBR structure and MBR units, RAS/WAS pumps and piping, aeration blowers and piping. Chemical storage containment structures and injection systems. Equalization basin with aeration units, drainage and return pumping, washdown apparatus. UV disinfection structure, UV process equipment and piping. Dewatering unit with solids handling and odor control systems. Treated water pump station, storage tank, 3W water system and Fire suppression pumps and distribution piping. Potable water well system, treatment system, pumps and distribution piping and electrical. Buildings for Operations, Maintenance, Dewatering, Potable water. Backup Generator and enclosure. Electrical equipment rooms and buildings for each process area. All associated piping, electrical and control systems for the site. All site flatwork, surfacing and paving.

Offsite Influent and Effluent Pipelines

All excavation, installation and backfill of the 16” HDPE influent, the 14” HDPE effluent and 2” and 4” communication conduits, valves, and enclosures required to transport between Lift Station 5 and the WRRF. Including connection to the District’s existing facilities.

Lift Station 5 Rebuild

All excavation, installation and backfill for the new Lift Station. All structures, piping, pumps, valving, electrical and control systems, system integration with the WRRF, site grading, flatwork, and surfacing. Including connection to, and minor demolition of, the District’s existing facilities.

EXHIBIT B

SCHEDULE OF INSTALLMENT PAYMENTS

(Interest Rate is _____% per annum)

The following schedule is subject to modification by the actual payment requests of the Original Purchaser. Such payment requests shall, in all cases, be controlling.

Payment Date	Principal	Interest	Total Payment	Annual Total
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TRUST AGREEMENT

Dated as of February 1, 2021

among

**DISTRICT MANAGER OF THE CAYUCOS SANITARY DISTRICT,
as Trust Administrator**

the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,

and the

CAYUCOS SANITARY DISTRICT

**\$24,301,500
Certificates of Participation
(2021 Cayucos Sustainable Water Project)**

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TRUST AGREEMENT

This TRUST AGREEMENT, made and entered into as of February 1, 2021, among the DISTRICT MANAGER OF THE CAYUCOS SANITARY DISTRICT, as trust administrator (the “Trust Administrator”), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), as seller under the Installment Sale Agreement hereinafter defined and the CAYUCOS SANITARY DISTRICT, a special district organized and existing under the laws of the State of California (the “District”);

WITNESSETH

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

WHEREAS, for the purpose of obtaining the moneys required to be deposited by it with the Trust Administrator for refinancing the Western Alliance construction loan, used to construct the wastewater treatment plant, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trust Administrator and, in consideration of such assignment and the execution of this Trust Agreement, the Trust Administrator has agreed to execute and deliver certificates of participation (the “Certificates”), evidencing a direct, undivided fractional interest in the Installment Payments and Prepayments (each as hereinafter defined) to be made by the District, to provide the moneys required herein to be deposited by the Corporation; and

WHEREAS, the original purchaser and owner of the Certificates shall be the Government;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I DEFINITIONS; AUTHORIZATION; EXHIBITS

Section 1.01. Definitions. Unless the context otherwise requires, the following terms shall, for all purposes of this Trust Agreement, have the meanings therein specified.

“Annual Debt Service” means, as of the date of any calculation, the sum obtained for the current or any future Fiscal Year subject to such calculation so long as any of the Certificates remain Outstanding by totaling the following amounts for such Fiscal Year:

(a) the principal amount of the Certificates and Parity Debt coming due and payable by their terms in such Fiscal Year, including the principal amount of any term

Certificates and term Parity Debt which are subject to mandatory sinking fund redemption in such Fiscal Year; and

(b) the amount of interest (net of any interest subsidy with respect to the Installment Payments or any Parity Debt, paid or payable to or for the account of the District by the United States of America or any federal governmental body or federal agency) which would be due during such Fiscal Year on the aggregate principal amount of the Certificates and Parity Debt which would be Outstanding in such Fiscal Year if such Certificates and Parity Debt are retired as scheduled.

“Assignment Agreement” means the Assignment Agreement, dated as of February 1, 2021, between the Corporation and the Trust Administrator, together with any amendments or supplements thereto.

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

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

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

“Certificates” means the Series 2021A Certificates, the Series 2021B Certificates the Series 2021C Certificates and the Series 2021D Certificates.

“Corporation” means Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under the laws of the State of California.

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

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

“County” means the County of San Luis Obispo, California.

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

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

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing and refinancing of the Project from the proceeds of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges and first year’s administration fee of the Trust Administrator, Trust Administrator’s counsel fees and expenses, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Certificates, travel expenses and charges and fees in connection with the foregoing.

“Denomination Amount” means the minimum denomination of each Certificate which is One Thousand Dollars (\$1,000).

“District” means the Cayucos Sanitary District, its successors and assigns.

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

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

“Fair Market Value” means for purposes of valuing the Permitted Investments, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “fair market value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by such fund is without regard to the source of investment. The Trust Administrator shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of a District Representative in any written directions of a District Representative.

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

“Fiscal Year” means any period of twelve (12) consecutive months established by the District as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

“District Manager” means the person who is the District’s District Manager or his or her deputy or assistant.

“Enterprise” means the entire system of the District for the collection, transmission, and disposal of wastewater, including but not limited to all facilities, works, properties, structures and improvements at any time owned, controlled or operated by the District for the collection, transmission, and disposal of wastewater within the service area of the District, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all additions, betterments, extension and improvements to such facilities or any part thereof hereafter acquired or constructed.

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

“Gross Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges and other moneys derived by District from the collection, treatment and disposal of wastewater or other services or facilities provided in the conduct and operation of the business of the Enterprise, (2) the proceeds of any stand-by or wastewater availability charges, development fees and connection charges collected by District, or (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above and from Revenue Fund reserves, but excluding (a) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of District and (b) any proceeds of taxes or assessments restricted by law to be used by District to pay bonds or other obligations heretofore or hereafter issued.

“Independent Counsel” means an attorney or a firm of attorneys duly admitted to the practice of law before the highest court of the state in which he or such firm maintains an office and who is not an employee of the Corporation, the Trust Administrator or the District.

“Independent Engineer” means any registered engineer or firm of engineers of national reputation generally recognized to be well qualified in engineering matters relating to systems similar to the Enterprise, appointed and paid by the District, and who or each of whom--

1. is in fact independent and not under the domination of the District;
2. does not have a substantial financial interest, direct or indirect, in the District; and
3. is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to make reports to the District.

“Independent Financial Consultant” means any financial consultant or firm of such consultants of national reputation generally recognized to be well qualified in financial matters relating to systems similar to the Enterprise, appointed and paid by the District, and who, or each of whom--

1. is in fact independent and not under the control of the District;
2. does not have a substantial financial interest, direct or indirect, in the District; and
3. is not connected with the District as a council member, officer or employee of the District, but may be regularly retained to make reports to the District.

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

“Installment Payment Date” means each Interest Payment Date.

“Installment Payment Fund” means the fund designated “Cayucos Sanitary District Project Installment Payment Fund” established and held by the Trust Administrator pursuant to Article III of the Trust Agreement.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of February 1, 2021, by and between the Corporation and the District, and any duly authorized and executed amendment or supplement thereto.

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

“Interest Payment Date” means February 1 and August 1 of each year, commencing February 1, 2022.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum Annual Debt Service from such date of calculation until the date no Certificates remain Outstanding.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means Gross Revenues less Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Enterprise, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including but not limited to administrative costs of the District attributable to the Enterprise and the financing thereof. “Maintenance and Operation Costs” does not include (a) interest expense

relating to unsecured, subordinate obligations of the District, (b) depreciation, replacement and obsolescence charges or reserves therefor, (c) amortization of intangibles or other bookkeeping entries of a similar nature, and (d) capital expenditures.

“Original Purchaser” means the Government as the first purchaser of the Certificates (evidenced by a single fully registered Certificate) upon their delivery by the Trust Administrator on the Closing Date.

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

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

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

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

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

“Parity Debt” means the Installment Sale Agreement and any other indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred in accordance with Section 3.09(b) of the Installment Sale Agreement and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.

“Permitted Investments” mean any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon any direction of the District as a certification that such investment constitutes a Permitted Investment):

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, but excluding CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and

credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

Farmers Home Administration (FmHA)

Certificates of beneficial ownership

Federal Housing Administration Debentures (FHA)

General Services Administration

Participation certificates

Government National Mortgage Association (GNMA or “Ginnie Mae”)

GNMA – guaranteed mortgage-backed bonds

GNMA – guaranteed pass-through obligations (participation certificates)

(not acceptable for certain cash-flow sensitive issues.)

U.S. Maritime Administration

Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local District Bonds

New Communities Debentures – U.S. Government guaranteed debentures

U.S. Public Housing Notes and Bonds – U.S. Government guaranteed public housing notes and bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System

Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)

Participation certificates

Senior debt obligations

Federal National Mortgage Association (FNMA or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP) obligations

Farm Credit System

Consolidated system-wide bonds and notes

Federal Agriculture Mortgage Association

Tennessee Valley District

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2.”

5. Certificates of deposit secured at all times by collateral described in 1 and/or 2 above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral; and unsecured certificates of deposit, time deposits, money market deposits, demand deposits and bankers’ acceptances of any bank the short-term obligations of which are rated on the date of purchase in one of the two highest rating categories by S&P and by Moody’s.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

7. Investment agreements, including GIC’s, forward purchase agreements and reserve fund put agreements.

8. Commercial paper rated, at the time of purchase, “Prime -1” by Moody’s and “A-1” or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime -1” or “A2” or better by Moody’s and “A-1” or “A” or better by S&P.

11. Repurchase agreements for 30 days or less must follow the following criteria:

(i) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trust Administrator (buyer/lender), and the transfer of cash from the Trust Administrator to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trust Administrator in exchange for the securities at a specified date.

12. Asset-backed Securities: As authorized in Government Code Section 53601(n), investment in any equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond with a maximum remaining final maturity of five years. Purchases will be restricted to securities with an expected weighted average life not to exceed three years. Securities eligible for investment under this subdivision shall be rated “AAA” by a nationally recognized rating service.

13. Mortgage-backed Securities: As authorized in Government Code Section 53601(n), investment in any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, with a maximum remaining final maturity of five years.

Purchases will be restricted to securities with an expected weighted average life not to exceed three years. Securities eligible for investment under this subdivision shall be rated “AAA” by a nationally recognized rating service. Purchases of asset-backed and mortgage-backed securities may not exceed 20% of the District’s portfolio in total.

14. Medium-term Notes: Corporate notes issued by corporations organized and operating within the United States with a rating of “A” or higher at the time of purchase by a nationally recognized rating service and with a maximum remaining maturity of no more than three (3) years after the date of purchase.

15. The Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code, to the extent the Trust Administrator is authorized to register such investment in its name.

16. Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

17. The Merced County Pooled Treasury Portfolio.

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

“**Principal Amount**” means the aggregate principal amount of the Certificates, which is \$24,301,500.

“**Principal Corporate Trust Office**” means the office of the Trust Administrator at the offices of the District in Hilmar, California, or at such other address designated by the Trust Administrator by written notice filed with the District and the Corporation.

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

“**Project**” means the improvements to the Enterprise described in Exhibit A to the Installment Sale Agreement.

“**Rating Category**” means, with respect to any Permitted Investment, one or more of the generic categories of rating by S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

“**Regular Record Date**” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

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

“Reserve Requirement” means the amount set forth in Section 3.11 of the Installment Sale Agreement, but in no event in an amount in excess of the least of: (a) 10% of the Principal Amount of the Certificate; (b) 125% of average annual Debt Service; or (c) Maximum Annual Debt Service.

“S&P” means S&P Global Ratings, LLC, a business unit of Standard & Poor's Financial Services LLC, its successors and assigns.

“Series 2021A Certificates” means \$9,900,000 Certificate of Participation (2021 Cayucos Sustainable Water Project), dated the Closing Date, executed and delivered pursuant to the Trust Agreement.

“Series 2021B Certificates” means \$8,000,000 Certificate of Participation (2021 Cayucos Sustainable Water Project), dated the Closing Date, executed and delivered pursuant to the Trust Agreement.

“Series 2021C Certificates” means \$4,194,500 Certificate of Participation (2021 Cayucos Sustainable Water Project), dated the Closing Date, executed and delivered pursuant to the Trust Agreement.

“Series 2021D Certificates” means \$2,207,000 Certificate of Participation (2021 Cayucos Sustainable Water Project), dated the Closing Date, executed and delivered pursuant to the Trust Agreement.

“State” means the State of California.

“Subordinate Debt” means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Installment Payments.

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

“Term of the Installment Sale Agreement” means the time during which the Installment Sale Agreement is in effect which begins on the Closing Date and ends on August 1, 2062, unless sooner terminated pursuant to the terms of the Installment Sale Agreement.

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

“Trust Agreement” means this Trust Agreement, dated as of February 1, 2021, by and among the Trust Administrator, the Corporation and the District, together with any amendments or supplements thereto permitted to be made thereunder.

“Western Alliance” means Western Alliance Business Trust, a wholly owned affiliate of Western Alliance Bank, an Arizona corporation, and thereafter any successor or assign.

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

“**2018 Installment Purchase Contract**” means the Installment Purchase Contract, dated as of March 1, 2018, by and between the Corporation and the District, as amended from time to time, including by the First Amendment to Installment Purchase Contract, dated as of October 1, 2019, by and between the District and the Corporation.

“**2018 Series A Installment Payments**” means the installment payments of principal and interest scheduled to be paid by the District under the 2018 Installment Purchase Contract in the amounts on the dates designated in Exhibit A-1 to the 2018 Installment Purchase Contract.

“**2018 Series B Installment Payments**” means the installment payments of principal and interest scheduled to be paid by the District under the 2018 Installment Purchase Contract in the amounts on the dates designated in Exhibit A-2 to the 2018 Installment Purchase Contract.

“**2019 Installment Purchase Contract**” means the Installment Purchase Contract, dated as of October 1, 2019, by and between the Corporation and the District, as amended from time to time.

“**2019 Installment Payments**” means the installment payments of principal and interest scheduled to be paid by the District under the 2019 Installment Purchase Contract in the amounts on the dates designated in Exhibit A-1 to the 2019 Installment Purchase Contract.

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

Section 1.03. Content of Written Certificates.

(a) **Contents.** Every Written Certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except Written Certificates delivered on the Closing Date and the certificate of destruction pursuant to Section 14.07, shall include (a) a statement that the person making or giving such Written Certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Written Certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such Written Certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

(b) Reliance. Any such Written Certificate made or given by a District Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such District Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such Written Certificate may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

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

Exhibit A: Form of Certificate of Participation

ARTICLE II THE CERTIFICATE OF PARTICIPATION

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

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

[Remainder of page intentionally left blank]

Section 2.03. Maturity; Interest Rates. The Series 2021A Certificates shall mature on August 1 in the years and in the principal amounts, and interest with respect thereto shall be computed at the interest rate of 1.75% per annum as shown below:

<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>
2022	\$173,000	2036	\$221,000	2050	\$281,000
2023	176,000	2037	224,000	2051	286,000
2024	179,000	2038	228,000	2052	291,000
2025	182,000	2039	232,000	2053	296,000
2026	185,000	2040	236,000	2054	301,000
2027	189,000	2041	241,000	2055	307,000
2028	192,000	2042	245,000	2056	312,000
2029	195,000	2043	249,000	2057	318,000
2030	199,000	2044	253,000	2058	323,000
2031	202,000	2045	258,000	2059	329,000
2032	206,000	2046	262,000	2060	334,000
2033	209,000	2047	267,000	2061	341,000
2034	213,000	2048	272,000	2062	
2035	217,000	2049	276,000		

The Series 2021B Certificates shall mature on August 1 in the years and in the principal amounts, and interest with respect thereto shall be computed at the interest rate of 1.75% per annum as shown below:

<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>
2022	\$140,000	2036	\$178,000	2050	\$227,000
2023	142,000	2037	181,000	2051	231,000
2024	145,000	2038	185,000	2052	235,000
2025	147,000	2039	188,000	2053	239,000
2026	150,000	2040	191,000	2054	244,000
2027	153,000	2041	194,000	2055	248,000
2028	155,000	2042	198,000	2056	252,000
2029	158,000	2043	201,000	2057	257,000
2030	161,000	2044	205,000	2058	261,000
2031	163,000	2045	208,000	2059	266,000
2032	166,000	2046	212,000	2060	270,000
2033	169,000	2047	216,000	2061	274,000
2034	172,000	2048	220,000		
2035	175,000	2049	223,000		

The Series 2021C Certificates shall mature on August 1 in the years and in the principal amounts, and interest with respect thereto shall be computed at the interest rate of 1.75% per annum as shown below:

<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>
2022	\$73,000	2036	\$93,000	2050	\$119,000
2023	75,000	2037	95,000	2051	121,000
2024	76,000	2038	97,000	2052	123,000
2025	77,000	2039	98,000	2053	126,000
2026	79,000	2040	100,000	2054	128,000
2027	80,000	2041	102,000	2055	130,000
2028	81,000	2042	104,000	2056	132,000
2029	83,000	2043	106,000	2057	135,000
2030	84,000	2044	107,000	2058	137,000
2031	86,000	2045	109,000	2059	139,000
2032	87,000	2046	111,000	2060	142,000
2033	89,000	2047	113,000	2061	143,500
2034	90,000	2048	115,000		
2035	92,000	2049	117,000		

The Series 2021D Certificates shall mature on August 1 in the years and in the principal amounts, and interest with respect thereto shall be computed at the interest rate of 1.75% per annum as shown below:

<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>
2022		2036		2050	
2023		2037		2051	
2024		2038		2052	
2025		2039		2053	
2026		2040		2054	
2027		2041		2055	
2028		2042		2056	
2029		2043		2057	
2030		2044		2058	
2031		2045		2059	
2032		2046		2060	
2033		2047		2061	
2034		2048			
2035		2049			

Section 2.02. Interest. Interest on the Certificates shall be payable semiannually on each Interest Payment Date to and including the date of final principal payment (or provision therefor under Section 14.01 hereof) or prepayment, whichever is earlier, determined on the Original Purchaser's aggregate payments for the single Certificate from the respective date(s) thereof, as such payments and dates thereof are endorsed on the single Certificate and computed on the basis of a 365-day year. Such interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date. The portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate. Interest shall be calculated on a basis of 365 days and actual days elapsed.

Interest on any Certificate shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless (i) such Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) such Certificate is executed after the close of business on the fifteenth (15th) day of the month immediately preceding the following Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) such Certificate is executed on or before July 15, 2021, in which event interest shall be payable from the date of delivery thereof; provided, however, that if at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest with respect to any Certificate shall be made to the person appearing on the Certificate Register of the Trust Administrator as the Owner thereof as of the fifteenth (15th) day of the month preceding such Interest Payment Date, such interest to be paid by check mailed by first class mail to such Owner at his address as it appears on such Certificate Register.

Section 2.03. Form of Certificate; Legends. The Certificates shall be delivered in the form of fully registered Certificate, without coupons, in the Denomination Amount or any integral multiple thereof, except that one annual amount may be any odd amount, and no Certificate may have principal maturing in more than one year. The Certificates shall be numbered in such manner as the Trust Administrator deems appropriate. At the option of the Original Purchaser of the Certificate, a single, fully-registered Certificate may be executed and delivered, in lieu of serial, registered Certificates, which single Certificate shall mature in installments of the same principal amounts and on the same dates as the registered Certificates it represents. The single Certificate shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

Section 2.04. Execution. The Certificates shall be executed by and in the name of the Trust Administrator, at the written direction of the Corporation, by the manual signature of the Trust Administrator.

Section 2.05. Transfer and Exchange. The following shall apply to transfers and exchanges of Certificates, provided that no transfer or exchange of Certificates shall be required

to be made during the fifteen (15) days prior to the date of selection of Certificates for prepayment, or of any Certificate selected for prepayment and furthermore, no transfers or exchanges shall be permitted if the Certificates are held by the Original Purchaser:

(a) Transfer of Certificate. Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.12 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trust Administrator, duly executed. Whenever any Certificate shall be surrendered for transfer, the Trust Administrator shall deliver a new Certificate or Certificates of the same maturity, interest rate and aggregate principal amount in authorized denominations to the transferee thereof. The Trust Administrator may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

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

(c) Limitations on Transfers. The following provisions shall apply to all sales and transfers of the Certificates after the initial sale and delivery of the Certificates to the Original Purchaser:

(i) The Certificates shall be continue to be in physical certificated instruments.

(ii) Unless the Certificates are exempt from regulation as securities, the Original Purchaser shall not sell or transfer the Certificates, or any participation rights therein, without complying with all applicable securities laws.

Section 2.06. Certificate Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trust Administrator, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like maturity and principal amount in authorized denominations in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trust Administrator of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trust Administrator shall be canceled by it and destroyed in accordance with Section 14.07 hereof, and the Trust Administrator shall deliver a certificate of destruction to the District. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trust Administrator and, if such evidence is satisfactory to the Trust Administrator and if an indemnity satisfactory to the Trust Administrator and the Corporation shall be given, the Trust Administrator, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trust Administrator shall determine in lieu of and in substitution for the Certificate so lost, destroyed

or stolen. The Trust Administrator may require payment of an appropriate fee for each new Certificate delivered under this Section 2.08 and of the expenses which may be incurred by the Trust Administrator in carrying out the duties under this Section 2.08. Any Certificate delivered under the provisions of this Section 2.08 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificate secured by this Trust Agreement. The Trust Administrator shall not be required to treat both the original Certificate and any substitute Certificate as being Outstanding for the purpose of determining the principal amount of Certificate which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificate Outstanding hereunder; the Trust Administrator shall consider only the substitute Certificate as Outstanding for such purpose. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trust Administrator may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trust Administrator.

Section 2.07. Payment. Except as otherwise provided herein, payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the Certificate Register as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Certificate Register as of such Regular Record Date. The principal and prepayment price with respect to a Certificate at maturity or upon prior prepayment shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificate at the Principal Trust Office. If the Government is the Owner of the single, fully-registered Certificate, surrender shall not be required for payment, except for final payment. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

Section 2.10. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificate. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of 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 Owner or such Owner's attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before such notary or officer the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a

partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

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

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

Section 2.11. Certificate Register. The Trust Administrator will keep or cause to be kept, at the Principal Trust Office, sufficient books for the registration and transfer of the Certificates which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trust Administrator to inspection by the District and the Corporation; and, upon presentation for such purpose, the Trust Administrator shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

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

ARTICLE III APPLICATION OF PROCEEDS

Section 3.01. Certificate Proceeds Fund. The Trust Administrator shall establish the Certificate Proceeds Fund, shall keep such fund and account separate and apart from all other funds and moneys held by the Trust Administrator, and shall administer such fund and account as provided herein. There shall be deposited in the Certificate Proceeds Fund all of the proceeds of sale of the Certificates and any other funds from time to time deposited with the Trust Administrator for such purpose.

Section 3.02. Payment and Prepayment of the 2018 Series A Installment Payments, the 2018 Series B Installment Payments and the 2019 Installment Payments.

(a) Upon the receipt of payment for the Certificates on the Closing Date, in the amount of \$_____, the Trust Administrator shall deposit the proceeds of sale thereof into the Certificate Proceeds Fund.

(b) The Trust Administrator will transfer the amount of \$_____, to Western Alliance to prepay all of the outstanding 2018 Series A Installment Payments, the 2018 Series B Installment Payments and the 2019 Installment Payments. The Trust Administrator shall use the following wire instructions to transfer such proceeds to Western Alliance Bank:

[Western Alliance wire instructions to come]

Section 3.03. Payment of Delivery Costs.

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

(b) The Trust Administrator shall disburse funds from the Certificate Proceeds Fund to pay Delivery Costs only upon receipt of a signed certificate (stating the amount to be disbursed and the party or parties being paid) approved by the District Representative (and, if required, by the Government as the Certificate Owner) of the District and accompanied by an invoice or statement for each such amount.

Section 3.04. Transfers of Unexpended Proceeds. The Trust Administrator is hereby directed that all unexpended moneys remaining in the Certificate Proceeds Fund and not identified in writing by a District Representative and by the Owner to be required for prepayment of all of the outstanding 2018 Series A Installment Payments, the 2018 Series B Installment Payments and the 2019 Installment Payments (the “Unexpended Proceeds”) shall, on the date of completion of the Project or as soon thereafter as the Trust Administrator is so notified, be transferred to the Installment Payment Fund and applied to the prepayment of the Certificates.

**ARTICLE IV
PREPAYMENT OF CERTIFICATES**

Section 4.01. Prepayment

(a) **Generally.** The Certificates shall not be subject to prepayment prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) **Prepayment From Net Proceeds of Insurance and Condemnation and from Unexpended Proceeds.** The Certificates are subject to prepayment in whole on any date and in part on any Interest Payment Date from the (i) Net Proceeds of any insurance or condemnation award and (ii) Unexpended Proceeds, which are, in either case deposited in the

Installment Payment Fund and credited towards the prepayment made by the District pursuant to Section 4.03 of the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

(c) **Optional Prepayment.** In addition, the Certificates are subject to prepayment in whole or in part at any time, at the principal amount with respect thereto, without premium, and with accrued interest to the date fixed for prepayment from the proceeds of optional prepayments made by the District pursuant to the Installment Sale Agreement.

(d) **[Mandatory Sinking Fund Prepayment.** The Certificates are also subject to mandatory sinking fund prepayment in whole, or in part by lot, on August 1 in each year commencing August 1, 20___, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table:]

<u>Sinking Fund Prepayment Date (August 1)</u>	<u>Principal Amount of Term Certificates To Be Prepaid</u>
---	---

(Maturity)

If some but not all of the term Certificates have been prepaid pursuant to subsection (b) or (c) above, the total amount of all related future sinking fund payments shall be reduced by the aggregate principal amount of such Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis as determined by the District (notice of which determination shall be given by the District to the Trust Administrator).

Section 4.02. Selection of Certificates for Prepayment. Whenever provision is made in this Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trust Administrator shall select Certificates for prepayment in any order of maturity selected by the District and by lot within a maturity. The Trust Administrator shall promptly notify the District and the Corporation in writing of the Certificates so selected for prepayment.

Section 4.03. Notice of Prepayment.

(a) General. Notice of any such prepayment shall be given by the Trust Administrator on behalf and at the expense of the District by mailing a copy of a prepayment notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for prepayment to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate Register maintained by the Trust Administrator; provided, however, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates.

(b) Contents. All notices of prepayment shall be dated and shall state: (i) the prepayment date, (ii) the prepayment price, (iii) if less than all Outstanding Certificates are to be prepaid, the identification (and, in the case of partial prepayment, the respective principal amounts) of the Certificates to be prepaid, (iv) that on the prepayment date the prepayment price will become due and payable with respect to each such Certificate or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Certificates are to be surrendered for payment of the prepayment price, which place of payment shall be the Principal Corporate Trust Office.

(c) Deposit. Prior to the mailing of any prepayment notice (other than a prepayment notice relating to Certificates that are to be refunded with the proceeds of refunding bonds or other refunding obligations), the District shall deposit, or cause to be deposited, with the Trust Administrator an amount of money sufficient to pay the prepayment price of all the Certificates or portions of Certificates which are to be prepaid on the applicable prepayment date. In the case of a prepayment notice relating to Certificates that are to be refunded, the District shall deposit, or cause to be deposited, with the Trust Administrator on or prior to the applicable prepayment date, an amount of money sufficient to pay the prepayment price of all the Certificates or portions of Certificates which are to be prepaid on such prepayment date.

(d) Prepayment. Notice of prepayment having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the prepayment date, become due and payable at the prepayment price therein specified, and from and after such date (unless the District shall default in the payment of the prepayment price) interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trust Administrator at the prepayment price. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Certificate, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the un-prepaid principal. All Certificates which have been prepaid shall be canceled by the Trust Administrator, shall not be reissued and shall be destroyed pursuant to Section 14.07. If the Government is the Owner, no Certificate shall be subject to surrender in the event of partial prepayment. Further, if the Government is the Owner, prepayment shall be endorsed on the single, fully registered Certificate registered to the Government .

(e) CUSIP. The Trust Administrator shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the prepayment notice. The

prepayment notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trust Administrator and the District shall not be liable in any way for inaccuracies in said numbers.

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

Section 4.04. Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trust Administrator shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the un-prepaid portion of the Certificate surrendered and of the same interest rate and the same maturity. If the Government is the Owner, no Certificate shall be subject to surrender in the event of partial prepayment.

Section 4.05. Effect of Notice of Prepayment. After notice has been given and the moneys for the prepayment, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificate to be redeemed shall become due and payable on the Interest Payment Date, and, upon presentation and surrender thereof at the Principal Corporate Trust Office specified in such notice, such Certificate shall be paid at the unpaid principal amount with respect thereto, and any unpaid and accrued interest to the Interest Payment Date.

If, on the Interest Payment Date, moneys for the prepayment of all of the principal of the Certificate to be prepaid, together with interest to such Interest Payment Date, shall be held by the Trust Administrator so as to be available therefor on such Interest Payment Date, and, if notice of prepayment thereof shall have been given, then, from and after such Interest Payment Date, interest with respect to the Certificate to be prepaid shall cease to accrue and become payable. If such moneys shall not be so available on the Interest Payment Date, interest with respect to such Certificate shall continue to be payable at the same rates as it would have been payable had the Certificate not been called for prepayment. All moneys held by or on behalf of the Trust Administrator for the prepayment of a particular Certificate shall be held in trust for the account of the Owner of the Certificate so to be prepaid. The Trust Administrator shall not be liable for any interest earned on the amounts so held.

Notwithstanding any contrary provision contained in this Article IV, so long as the Government is the Owner of the Certificates, the Certificates may not be defeased.

Section 4.06. Purchase of Certificates. In lieu of prepayment of Certificates as provided in this Article IV, amounts held by the Trust Administrator for such prepayment may

also be used on any Interest Payment Date, upon receipt by the Trust Administrator at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of a District Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid; provided, however, that no Certificate shall be purchased in lieu of prepayment with a trade settlement date less than seventy-five (75) days prior to the relevant prepayment date. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment pursuant to this Section 4.06 shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment. Remaining moneys, if any, shall be deposited in the Installment Payment Fund.

ARTICLE V INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement. The Corporation has, pursuant to the Assignment Agreement, transferred, assigned and set over to the Trust Administrator all of its rights, title and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments, the Prepayments and all other amounts required to be deposited in the Installment Payment Fund pursuant to the Installment Sale Agreement or pursuant hereto. All Installment Payments, prepayments and such other amounts which the Corporation may at any time be entitled to shall be paid directly to the Trust Administrator and, in the event of the receipt or collection of Installment Payments by the Corporation, such payments shall be deemed to be held or to have been collected or received by the Corporation as agent of the Trust Administrator.

Section 5.02. Establishment of Installment Payment Fund. The Trust Administrator shall establish the Installment Payment Fund. All moneys at any time deposited by the Trust Administrator in the Installment Payment Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trust Administrator as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Installment Payment Fund all Installment Payments and prepayments received by the Trust Administrator, including any moneys received by the Trust Administrator for deposit therein pursuant to Sections 4.05, 5.05, 6.01 hereof or Article IV of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

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

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

Provided, however, that so long as the Government is the Owner of the Certificates, revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the indebtedness evidenced by the Certificates.

ARTICLE VI RESERVE FUND

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

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

Section 6.03. Transfers in Excess of Reserve Requirement. The Trust Administrator shall, on or before each April 1 and August 1, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement as provided in Section 8.03 hereof.

Section 6.04. Application in Event of Deficiency in the Installment Payment Fund.

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

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

Section 6.06. Replenishment of Reserve Fund. The District shall maintain or cause to be maintained in the Reserve Fund an amount equal to the amounts required to be deposited

therein pursuant to Section 3.11 of the Installment Sale Agreement, and thereafter the amount of the Reserve Requirement.

If, on any date of computation, amounts on hand in the Reserve Fund are less than such required amounts because of a transfer therefrom made in accordance with Section 6.04 hereof, the District shall pay to the Trust Administrator, within one (1) year from the date of such deficiency if caused by a deficiency in Net Revenues, an amount necessary to bring the amounts on deposit in the Reserve Fund to the amount required to be maintained therein; provided, however, that the period of time permitted herein for the replenishment of the Reserve Fund by the District shall not affect any other provision of this Trust Agreement.

ARTICLE VII

INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN

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

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

(a) If the District determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the District to meet any of its obligations under the Installment Sale Agreement, and if the District determines that such proceeds are: (i) not needed for repair, replacement or rehabilitation of the Project, upon receipt of a Written Certificate from the District the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited towards the prepayments required to be paid pursuant to Section 4.03 of the Installment Sale Agreement and applied to the prepayment of Certificates in the manner provided in Article IV hereof, or (ii) needed for repair or rehabilitation of the Project, upon receipt of a Written Certificate from the District the Trust Administrator shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing of requisitions of the District Representative, substantially in the form described in Section 3.02 in connection with the payment of Construction Costs.

(b) If (i) less than all of the Project shall have been taken in such eminent domain proceedings, and if the District determines that such eminent domain

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

Section 7.03. Excess Net Proceeds. After all of the Certificates have been retired and the entire amount of principal and interest with respect to the Certificates and any remaining fees and expenses of the Trust Administrator have been paid in full, the Trust Administrator shall transfer any remaining funds to the District.

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

ARTICLE VIII MONEYS IN FUNDS; INVESTMENT

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

Section 8.02. Investments Authorized. Moneys held by the Trust Administrator hereunder shall be invested and reinvested by the Trust Administrator, to the maximum extent practicable, in Permitted Investments. Unless otherwise directed, the Trust Administrator shall invest the affected moneys in Permitted Investments described in paragraph (4) of the definition thereof. A District Representative may, by written order filed with the Trust Administrator, direct investment of moneys held by the Trust Administrator in specific Permitted Investments. Investments purchased with moneys on deposit in the Reserve Fund shall have a term not greater than five years. Investments, if registrable, shall be registered in the name of and held by the Trust Administrator or the Trust Administrator's nominee. The Trust Administrator may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 8.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trust Administrator may act as principal or agent in the making or disposing of any investment. The Trust Administrator shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Article VIII. The Trust Administrator shall be entitled to rely conclusively upon the written instructions of a District Representative directing investments as to the fact that each investment is permitted by the laws of the State and constitutes a Permitted

Investment hereunder, and the Trust Administrator shall not be required to make further investigation with respect thereto. To the extent that any of the requirements concerning any Permitted Investment embodies a legal conclusion, the Trust Administrator shall be entitled to conclusively rely upon a Written Certificate or certificate from the appropriate party or an opinion of counsel to such party that such requirement has been met.

Section 8.03. Allocation of Earnings. All interest or income received by the Trust Administrator on investment of the Installment Payment Fund shall, as received, be retained in such fund. Amounts retained in the Installment Payment Fund pursuant to this Section 8.03 shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit. All interest or income received by the Trust Administrator on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. Pursuant to Section 6.03 hereof, in the event that amounts then on deposit in the Reserve Fund equal or exceed the Reserve Requirement, such excess shall, as received, be transferred, to the Installment Payment Fund and shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit. Transfers to the Installment Payment Fund from the Reserve Fund shall be made by the Trust Administrator on or prior to each Installment Payment Date.

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

Section 8.05. Acquisition, Disposition and Valuation of Investments.

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

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

**ARTICLE IX
THE TRUST ADMINISTRATOR**

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

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

(a) General. The Trust Administrator is hereby authorized to pay or redeem the Certificates when duly presented for payment at maturity, or on prepayment, and to cancel all Certificates upon payment thereof. The Trust Administrator shall keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trust Administrator shall be compensated for its services rendered pursuant to the provisions of this Trust Agreement and shall be reimbursed for costs and expenses, including attorney's fees, incurred in connection therewith, subject to the provisions of any written agreement between the Trust Administrator and the District.

(b) Successor. So long as no Event of Default shall have occurred and be continuing, the District may, with the written consent of the Owners, remove the Trust Administrator initially appointed, and any successor thereto, on thirty (30) days written notice and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company which shall be a corporation organized and doing business under the laws of any state, the District or the United States of America, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trust Administrator shall not be effective until written acceptance of appointment by the successor Trust Administrator.

(c) Resignation. The Trust Administrator may at any time resign by giving written notice to Corporation and the District and by providing notice by first class mail, postage prepaid, to the Owners at their addresses as shown on the Certificate Register maintained by the Trust Administrator. Said mailing shall be made prior to the proposed effective date of resignation. Upon receiving such notice of resignation, the District, with the written consent of the Owners, shall promptly appoint a successor Trust Administrator by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Trust Administrator within thirty (30) days following receipt of such notice of resignation Corporation may appoint a successor Trust Administrator and in the event that Corporation does not appoint such successor Trust Administrator, the resigning Trust Administrator, at the expense of the District, may petition any appropriate court having jurisdiction to appoint a successor Trust Administrator. Any resignation or removal of the Trust Administrator and appointment of a successor Trust Administrator shall become effective upon acceptance of appointment by the successor Trust Administrator and receipt by the Trust Administrator of any fees and expenses due and payable to it.

(d) Indemnification. The District shall and hereby agrees to indemnify and save the Trust Administrator and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of: (a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the District; (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement; (c) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (d) any act or negligence of any assignee or sublessee of the District with respect to the Project; (e) the construction of the Project or the authorization of payment of the Construction Costs or Delivery Costs by the District or the Trust Administrator; or (f) the Trust Administrator's exercise and performance of its powers and duties hereunder. No indemnification is made under this Section 6.03, or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Trust Administrator, its officers, agents, employees, successors or assigns.

Section 9.02. Liability of Trust Administrator. The recitals of facts, covenants and agreements herein and in the Certificates contained shall be taken as statements, covenants and agreements of Corporation and the District, and the Trust Administrator neither assumes any responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Trust Agreement or of the Certificates nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon the Trust Administrator.

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

Section 9.04. Protection and Rights of the Trust Administrator. The following provisions shall apply to the Trust Administrator in the event the Trust Administrator is not then an officer or employee of the District and shall also apply to the Trust Administrator in the event the Trust Administrator is then an officer or employee of the District, but only to the extent that such provisions do not conflict with such Trust Administrator's duties as a District officer or employee:

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

statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

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

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

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

(e) Owner. The Trust Administrator may become the Owner of Certificates with the same rights it would have if it were not Trust Administrator; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trust Administrator; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificate then Outstanding.

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

(g) Limits of Liability. The Trust Administrator undertakes to perform such duties, and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trust Administrator. No provision in this Trust Agreement shall require the Trust

Administrator to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. In accepting the duties hereby enumerated, the Trust Administrator acts solely as Trust Administrator for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the District or Corporation having any claim against the Trust Administrator arising from the Trust Agreement shall look only to the funds and accounts held by the Trust Administrator hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trust Administrator be liable in its individual capacity for the obligations evidenced by the Certificates. The Trust Administrator shall not be liable in its individual capacity with respect to any action taken or omitted to be taken by the Trust Administrator in good faith in accordance with the written request of the Owners of the Certificates.

(h) No Representations. The Trust Administrator makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project. In no event shall the Trust Administrator be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or Trust Agreement for the existence, furnishing or use of the Project.

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

(j) Released and Unclaimed Funds. The Trust Administrator shall not be accountable for the use or application by the District or any other party of any funds which the Trust Administrator has released under this Trust Agreement. Subject to applicable escheat laws, any amounts unclaimed two (2) years after the final prepayment or maturity date of the Certificate, whichever occurs first, shall be paid by the Trust Administrator to the District, and thereafter, the Owner of any Certificate remaining unpaid shall look to the District for the payment of such Certificate.

Section 9.05. Appointment of Trustee. In the event that an Event of Default shall occur or if it shall otherwise be necessary for the Trust Administrator to enforce payment of the Installment Payments, Prepayments or any other amount required to be deposited into the Installment Payment Fund or the Insurance and Condemnation Fund, or to exercise any of the remedies set forth in Article XIII hereof, or if it is determined that the Trust Administrator is unable to perform any of the other duties hereunder, the District, with the written consent of the Government as the Owner, shall appoint a bank or trust company as trustee hereunder (the "Trustee") to succeed to the duties and responsibilities of the Trust Administrator hereunder,

such appointment to be effective immediately upon written notice thereof to the Trust Administrator. Any Trustee appointed in such circumstances shall meet the requirements of Section 9.01(b) hereof. Upon such appointment, the term "Trust Administrator" in this Agreement shall also refer to such Trustee.

ARTICLE X MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01. Amendments Permitted.

(a) With Consent. This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.03, shall have been filed with the Trust Administrator. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, or (3) modify any of the rights or obligations of the Trust Administrator without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.02.

(b) Without Consent. This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, or (2) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interest of the Owners of the Certificates, or (3) if and to the extent specified in an opinion of nationally recognized bond counsel filed with the District, the Corporation and the Trust Administrator, to make such additions, deletions or modifications as may be necessary to assure compliance with section 148(f) of the Tax Code or otherwise as may be necessary to assure exclusion from gross income for purposes of federal income taxation of the interest component of Installment Payments. Any such supplemental agreement shall become effective upon its execution and delivery by the parties hereto or thereto as the case may be.

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

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

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

(b) **Effective.** Such supplemental agreement shall not become effective unless there shall be filed with the Trust Administrator the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.03) and a notice shall have been mailed as hereinafter provided in this Section 10.02. Each such consent shall be effective only if accompanied by proof of ownership of the Certificate for which such consent is given, which proof shall be such as is permitted by Section 2.11. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trust Administrator within five (5) Business Days of the date when the notice of consent hereinafter in this Section 10.02 provided for has been mailed. Any revocation received by the Trust Administrator later than five (5) Business Days after such notice has been mailed shall be of no force and effect.

(c) **Notice.** After the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trust Administrator shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section 10.02 for the mailing of such supplemental agreement at the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section 10.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section 10.02 to be filed with the Trust Administrator, shall be conclusive proof of the matters therein stated until the contrary is proved. Such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

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

Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

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

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

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

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

ARTICLE XI COVENANTS

Section 11.01. Compliance With and Enforcement of Installment Sale Agreement. The District and the Corporation covenant and agree with the Owners of the Certificates to perform all obligations and duties imposed on them under the Installment Sale Agreement and this Trust Agreement. The District or the Corporation, immediately upon receiving or giving any notice or communication or other document in any way relating to or affecting their respective interests in the Project which may or can in any manner affect such interest, will deliver the same, or a copy thereof, to the Trust Administrator. The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a

ground for cancellation or termination of the Installment Sale Agreement by the Corporation thereunder.

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

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

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

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

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

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

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

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

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

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

ARTICLE XII LIMITATION OF LIABILITY

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

Section 12.02. No Liability of the Corporation for Trust Administrator Performance. In the event that a Trustee shall be appointed pursuant to Section 9.05 to perform the duties of Trust Administrator hereunder, neither the District nor the Corporation shall have any obligation or liability to the other party or to the Owners of the Certificates with respect to the performance by such Trust Administrator of any duty imposed upon such Trust Administrator under this Trust Agreement.

Section 12.03. Indemnification of Trust Administrator. In the event that a Trustee shall be appointed pursuant to Section 9.05 to perform the duties of Trust Administrator hereunder, the District shall to the extent permitted by law indemnify and save such Trust Administrator, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of:

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

(b) any breach or default on the part of the Corporation or the District in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Project;

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

(d) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Project;

(e) the acquisition, construction, installation and equipping of the Project or the authorization of payment of Construction Costs or Delivery Costs;

(f) the actions of any other party, including but not limited to (i) the ownership, operation or use of the Project by the Corporation or the District, (ii) the Trust Administrator's exercise and performance of its powers and duties hereunder, or (iii) the offering and sale of the Certificates. No indemnification will be made under this Section 12.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by such Trust Administrator, its officers or employees. The District's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of such Trust Administrator.

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

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.01. Assignment of Rights. Pursuant to the Assignment Agreement, the Corporation transfers, assigns and sets over to the Trust Administrator all of the Corporation's rights under the Installment Sale Agreement (excepting only the Corporation's rights under

Sections 5.08, 6.03 and 7.04 thereof), including without limitation the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Installment Sale Agreement as may be necessary or convenient (i) to enforce payment of the Installment Payments, Prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trust Administrator or the Certificate Owners in an Event of Default.

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

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

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

Section 13.03. Application of Funds. All moneys received by the Trust Administrator pursuant to any right given or action taken under the provisions of this Article XIII or of Article VII of the Installment Sale Agreement, shall be applied by the Trust Administrator in the order following upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

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

(b) **Second**, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and 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.

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

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

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

Section 13.07. Power of Trust Administrator to Control Proceedings. In the event that the Trust Administrator, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trust Administrator shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 13.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for

any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trust Administrator written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Certificate then Outstanding shall have made written request upon the Trust Administrator to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trust Administrator reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trust Administrator 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 Trust Administrator.

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

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

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

ARTICLE XIV MISCELLANEOUS

Section 14.01. Prepayment of Certificates. If all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

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

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

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

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

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

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

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

(h) **Government as Owner and Defeasance.** Notwithstanding any provision to the contrary contained herein, so long as the Government is the Owner of the Certificates, the Certificates may not be defeased.

Section 14.02. Records. The Trust Administrator shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the District, the Corporation, and the Owners of not less than 10% in

aggregate principal amount of the Certificates Outstanding, or the agent of any of them, upon reasonable prior notice and during regular business hours.

Section 14.03. Notices. All written notices to be given under this Trust Agreement shall be given by mail first class, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

The District:

Cayucos Sanitary District
200 Ash Avenue
Cayucos, California 93430
Attention: District Manager

The Corporation:

Public Property Financing Corporation of California
5 Townsgate Road, Suite 200
Westlake Village, California 91361
Attention: Bill Morton

The Trust Administrator:

Cayucos Sanitary District
200 Ash Avenue
Cayucos, California 93430
Attention: District Manager

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

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

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

Section 14.07. Destruction of Canceled Certificate. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trust Administrator and the delivery

to the District of any Certificate, the Trust Administrator may, in lieu of such cancellation and delivery, destroy such Certificate and deliver a certificate of such destruction to the District.

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

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

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

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

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

Section 14.12. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trust Administrator in trust for the payment of the principal or interest due with respect to any Certificate and remaining unclaimed two years from the date of payment or prepayment of such Certificate, or if the law shall have been changed and the District has notified the Trust Administrator of such change or the Trust Administrator notifies the District, then on the date thirty (30) days prior to the then applicable escheat provision of State law, shall, on such date, be repaid to the District free from the trusts created by this Trust Agreement, and all liability of the Trust Administrator with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the

District as aforesaid, the Trust Administrator may (at the cost and request of the District) first mail to the Owners to whom such amounts have not yet been paid, at the addresses shown on the Certificate Register, a notice, in such form as may be deemed appropriate by the Trust Administrator with respect to the amounts so payable and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. The Trust Administrator shall not be liable for any interest on funds held by it. The District shall not be liable for any interest on the sums paid to it pursuant to this Section 14.12 and shall not be regarded as a trustee of such money.

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

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

CAYUCOS SANITARY DISTRICT

By: _____
District Manager

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

By: _____
Authorized Representative

DISTRICT MANAGER OF THE CAYUCOS SANITARY DISTRICT, as Trust Administrator

By: _____
District Manager

EXHIBIT A-1

FORM OF CERTIFICATE OF PARTICIPATION

No. R-1

\$9,900,000.00

THE REGISTERED OWNER OF THIS CERTIFICATE ACKNOWLEDGES AND AGREES THAT THIS CERTIFICATE MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE TRUST AGREEMENT. ANY TRANSFER OF THIS CERTIFICATE IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE TRUST AGREEMENT SHALL BE VOID AND OF NO EFFECT.

**CERTIFICATE OF PARTICIPATION
(2021 CAYUCOS SUSTAINABLE WATER PROJECT)
Evidencing the Direct, Undivided Fractional Interests of the Owner
Thereof in Installment Payments to be Made by the
CAYUCOS SANITARY DISTRICT
As the Purchase Price for Certain Property Pursuant
to an Installment Sale Agreement with the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

RATE OF INTEREST:
_____%

DATED DATE:
_____, 2021

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

PRINCIPAL AMOUNT: NINE MILLION NINE HUNDRED THOUSAND AND 00/100 DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of February 1, 2021 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation"), a non-profit, public benefit corporation, duly organized and existing under the laws of the State of California and the CAYUCOS SANITARY DISTRICT (the "District"), a special district of the State of California, organized and existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the District Manager of the District, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the Maturity Dates identified below, or any earlier prepayment date, the principal amounts identified below representing a direct undivided fractional share of the portion of the Installment Payments designated as principal as follows:

MATURITY DATE	TOTAL PRINCIPAL	INTEREST RATE
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Furthermore, the Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract, on February 1 and August 1 of each year, commencing February 1, 2022 (each, an “Interest Payment Date”) until payment in full of said principal the Owners direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Interest Rate from the Dated Date identified above. The Owners share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Interest Rate per annum identified above. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trust Administrator as of the preceding Regular Record Date. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

This Certificate has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement, dated as of February 1, 2021, among the Trust Administrator, the Corporation and the District (the “Trust Agreement”). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of paying and reimbursing the payment of the costs of certain public capital improvements. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the District under the Installment Sale

Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

This single Certificate is issued in lieu of and represents the \$9,900,000 Certificates of Participation (2021 Cayucos Sustainable Water Project), all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement (the "Certificates"). 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 this Trust Agreement (as hereinafter defined) upon thirty (30) days' notice.

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

This Certificate shall be subject to prepayment as set forth in the Trust Agreement.

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

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

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided

that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

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

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

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

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

Executed as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: _____
District Manager
Cayucos Sanitary District

ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

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

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

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

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

Total principal sum of the within Certificate as advanced as of _____, 201__ is
\$ _____.

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

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

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

EXHIBIT A-2

FORM OF CERTIFICATE OF PARTICIPATION

No. R-1

\$8,000,000.00

THE REGISTERED OWNER OF THIS CERTIFICATE ACKNOWLEDGES AND AGREES THAT THIS CERTIFICATE MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE TRUST AGREEMENT. ANY TRANSFER OF THIS CERTIFICATE IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE TRUST AGREEMENT SHALL BE VOID AND OF NO EFFECT.

**CERTIFICATE OF PARTICIPATION
(2021 CAYUCOS SUSTAINABLE WATER PROJECT)
Evidencing the Direct, Undivided Fractional Interests of the Owner
Thereof in Installment Payments to be Made by the
CAYUCOS SANITARY DISTRICT
As the Purchase Price for Certain Property Pursuant
to an Installment Sale Agreement with the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

RATE OF INTEREST:
_____ %

DATED DATE:
_____, 2021

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

PRINCIPAL AMOUNT: EIGHT MILLION AND 00/100 DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of February 1, 2021 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation"), a non-profit, public benefit corporation, duly organized and existing under the laws of the State of California and the CAYUCOS SANITARY DISTRICT (the "District"), a special district of the State of California, organized and existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the District Manager of the District, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the Maturity Dates identified below, or any earlier prepayment date, the principal amounts identified below representing a direct undivided fractional share of the portion of the Installment Payments designated as principal as follows:

MATURITY DATE	TOTAL PRINCIPAL	INTEREST RATE
----------------------	------------------------	----------------------

Furthermore, the Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract, on February 1 and August 1 of each year, commencing February 1, 2022 (each, an “Interest Payment Date”) until payment in full of said principal the Owners direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Interest Rate from the Dated Date identified above. The Owners share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Interest Rate per annum identified above. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trust Administrator as of the preceding Regular Record Date. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

This Certificate has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement, dated as of February 1, 2021, among the Trust Administrator, the Corporation and the District (the “Trust Agreement”). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of paying and reimbursing the payment of the costs of certain public capital improvements. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the District under the Installment Sale

Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

This single Certificate is issued in lieu of and represents the \$8,000,000 Certificates of Participation (2021 Cayucos Sustainable Water Project), all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement (the "Certificates"). 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 this Trust Agreement (as hereinafter defined) upon thirty (30) days' notice.

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

This Certificate shall be subject to prepayment as set forth in the Trust Agreement.

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

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

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided

that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

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

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

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

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

Executed as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: _____
District Manager
Cayucos Sanitary District

ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

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

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

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

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

Total principal sum of the within Certificate as advanced as of _____, 201__ is
\$ _____.

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

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

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

EXHIBIT A-3

FORM OF CERTIFICATE OF PARTICIPATION

No. R-1

\$4,194,500.00

THE REGISTERED OWNER OF THIS CERTIFICATE ACKNOWLEDGES AND AGREES THAT THIS CERTIFICATE MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE TRUST AGREEMENT. ANY TRANSFER OF THIS CERTIFICATE IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE TRUST AGREEMENT SHALL BE VOID AND OF NO EFFECT.

**CERTIFICATE OF PARTICIPATION
(2021 CAYUCOS SUSTAINABLE WATER PROJECT)
Evidencing the Direct, Undivided Fractional Interests of the Owner
Thereof in Installment Payments to be Made by the
CAYUCOS SANITARY DISTRICT
As the Purchase Price for Certain Property Pursuant
to an Installment Sale Agreement with the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

RATE OF INTEREST:
_____%

DATED DATE:
_____, 2021

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

PRINCIPAL AMOUNT: FOUR MILLION ONE HUNDRED NINETY-FOUR THOUSAND FIVE HUNDRED AND 00/100 DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of February 1, 2021 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation"), a non-profit, public benefit corporation, duly organized and existing under the laws of the State of California and the CAYUCOS SANITARY DISTRICT (the "District"), a special district of the State of California, organized and existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the District Manager of the District, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the Maturity Dates identified below, or any earlier prepayment date, the principal amounts identified below representing a direct undivided fractional share of the portion of the Installment Payments designated as principal as follows:

MATURITY DATE	TOTAL PRINCIPAL	INTEREST RATE
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Furthermore, the Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract, on February 1 and August 1 of each year, commencing February 1, 2022 (each, an “Interest Payment Date”) until payment in full of said principal the Owners direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Interest Rate from the Dated Date identified above. The Owners share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Interest Rate per annum identified above. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trust Administrator as of the preceding Regular Record Date. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

This Certificate has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement, dated as of February 1, 2021, among the Trust Administrator, the Corporation and the District (the “Trust Agreement”). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of paying and reimbursing the payment of the costs of certain public capital improvements. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the District under the Installment Sale

Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

This single Certificate is issued in lieu of and represents the \$4,194,500 Certificates of Participation (2021 Cayucos Sustainable Water Project), all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement (the "Certificates"). 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 this Trust Agreement (as hereinafter defined) upon thirty (30) days' notice.

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

This Certificate shall be subject to prepayment as set forth in the Trust Agreement.

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

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

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided

that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

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

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

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

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

Executed as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: _____
District Manager
Cayucos Sanitary District

ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

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

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

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

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

Total principal sum of the within Certificate as advanced as of _____, 201__ is
\$ _____.

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

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

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

EXHIBIT A-4

FORM OF CERTIFICATE OF PARTICIPATION

No. R-1

\$2,207,000.00

THE REGISTERED OWNER OF THIS CERTIFICATE ACKNOWLEDGES AND AGREES THAT THIS CERTIFICATE MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE TRUST AGREEMENT. ANY TRANSFER OF THIS CERTIFICATE IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE TRUST AGREEMENT SHALL BE VOID AND OF NO EFFECT.

**CERTIFICATE OF PARTICIPATION
(2021 CAYUCOS SUSTAINABLE WATER PROJECT)
Evidencing the Direct, Undivided Fractional Interests of the Owner
Thereof in Installment Payments to be Made by the
CAYUCOS SANITARY DISTRICT
As the Purchase Price for Certain Property Pursuant
to an Installment Sale Agreement with the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

RATE OF INTEREST:
_____%

DATED DATE:
_____, 2021

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

PRINCIPAL AMOUNT: TWO MILLION TWO HUNDRED SEVEN THOUSAND AND 00/100 DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of February 1, 2021 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation"), a non-profit, public benefit corporation, duly organized and existing under the laws of the State of California and the CAYUCOS SANITARY DISTRICT (the "District"), a special district of the State of California, organized and existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the District Manager of the District, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the Maturity Dates identified below, or any earlier prepayment date, the principal amounts identified below representing a direct undivided fractional share of the portion of the Installment Payments designated as principal as follows:

MATURITY DATE	TOTAL PRINCIPAL	INTEREST RATE
----------------------	------------------------	----------------------

Furthermore, the Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract, on February 1 and August 1 of each year, commencing February 1, 2022 (each, an “Interest Payment Date”) until payment in full of said principal the Owners direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Interest Rate from the Dated Date identified above. The Owners share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Interest Rate per annum identified above. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trust Administrator as of the preceding Regular Record Date. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

This Certificate has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement, dated as of February 1, 2021, among the Trust Administrator, the Corporation and the District (the “Trust Agreement”). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of paying and reimbursing the payment of the costs of certain public capital improvements. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the District under the Installment Sale

Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

This single Certificate is issued in lieu of and represents the \$2,207,000 Certificates of Participation (2021 Cayucos Sustainable Water Project), all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement (the "Certificates"). 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 this Trust Agreement (as hereinafter defined) upon thirty (30) days' notice.

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

This Certificate shall be subject to prepayment as set forth in the Trust Agreement.

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

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

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided

that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

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

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

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

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

Executed as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: _____
District Manager
Cayucos Sanitary District

ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

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

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

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

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

Total principal sum of the within Certificate as advanced as of _____, 201__ is
\$ _____.

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

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

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

ASSIGNMENT AGREEMENT

Dated as of February 1, 2021

between the

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

and the

**DISTRICT MANAGER OF THE CAYUCOS SANITARY DISTRICT,
as Trust Administrator**

For

**\$24,301,500
Cayucos Sanitary District
Certificates of Participation
(2020 Cayucos Sustainable Water Project)**

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT, made and entered into as of February 1, 2021, between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), and the DISTRICT MANAGER OF THE CAYUCOS SANITARY DISTRICT, as trust administrator (the “Trust Administrator”) under the hereinafter-defined Trust Agreement;

WITNESSETH:

In consideration of the mutual covenants herein contained, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto recite and agree as follows:

Section 1. Recitals.

(a) The Corporation and the Cayucos Sanitary District (the “District”), have entered into an installment sale agreement, dated as of February 1, 2021 (together with any amendments or supplements thereto, the “Installment Sale Agreement”), whereby the Corporation has agreed to sell to the District, and the District has agreed to purchase from the Corporation, certain improvements to the District’s wastewater system, as more particularly described in the Installment Sale Agreement (as amended or modified from time to time, the “Project”), in the manner and on the terms set forth in the Installment Sale Agreement.

(b) Under the Installment Sale Agreement, the Corporation is required to deposit or cause to be deposited with the Trust Administrator certain moneys to be credited, held and applied in accordance with a trust agreement among the Trust Administrator, the Corporation and the District, dated as of February 1, 2021, together with any amendments or supplements thereto (the “Trust Agreement”).

(c) Upon delivery of the Installment Sale Agreement and the deposit of moneys by the Corporation with respect thereto, the District is obligated to pay certain installment payments to the Corporation or its assignee. For the purpose of obtaining the moneys required to be deposited with the Trust Administrator, the Corporation is willing to assign and transfer its right, title and interest under the Installment Sale Agreement to the Trust Administrator for the benefit of the owners of the Certificates of Participation (the “Certificates”) to be executed and delivered under the Trust Agreement, and in consideration of such assignment, the Trust Administrator is executing and delivering the Certificates to the initial purchasers thereof, the proceeds of which sale are anticipated by the Corporation to be sufficient to provide the moneys required to be deposited by the Corporation pursuant to the Installment Sale Agreement.

(d) Each of the parties hereto has authority to enter into this Assignment Agreement and has taken all actions necessary to authorize its officers to enter into it.

(e) The capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Installment Sale Agreement.

Section 2. Assignment. The Corporation, for good and valuable consideration, does hereby irrevocably assign and transfer to the Trust Administrator, for the benefit of the Owners of the Certificates, all of its rights and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including, without limitation, its rights to receive and collect Installment Payments from District under the Installment Sale Agreement, its rights to the pledge of Net Revenues, the right to receive and collect any proceeds of any insurance maintained thereunder, or of any condemnation award rendered with respect to the Project and the right to exercise such rights and remedies as are conferred on the Corporation by the Installment Sale Agreement as may be necessary to enforce payment of the Installment Payments when due or otherwise to protect its interests in the event of a default by the District. The Installment Payments shall be applied, and the rights so assigned shall be exercised, by the Trust Administrator as provided in the Trust Agreement for the benefit of the Owners of the Certificates.

Section 3. Acceptance. The Trust Administrator hereby accepts such assignment in trust for the purpose of securing, equally and proportionately, such payments and rights to the Owners of the Certificates delivered pursuant to the Trust Agreement, all subject to the provisions of the Trust Agreement.

Section 4. Conditions. This Assignment Agreement shall confer no rights and impose no duties upon the Trust Administrator beyond those expressly provided in the Trust Agreement. The Trust Administrator does not warrant the accuracy of the recitals in Section 1 hereof.

Section 5. No Additional Rights or Duties. This Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trust Administrator beyond those expressly provided in the Trust Agreement. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Corporation or the District beyond those expressly provided in the Installment Sale Agreement and the Trust Agreement or as otherwise set forth herein.

Section 6. Consent of Corporation to Sale of Certificates. The Corporation does hereby authorize, direct and consent to the execution and delivery of the Certificates by the Trust Administrator, the receipt of payment by the Trust Administrator for the Certificates when the same shall be sold to the original purchaser or purchasers thereof and the transfer and deposit of such proceeds by the Trust Administrator into the funds and accounts created by the Trust Agreement, all in accordance with the terms of the Trust Agreement.

Section 7. Further Assurances. The Corporation will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and for the better assuring and confirming to the owners of the Certificates the rights and benefits intended to be conveyed pursuant hereto.

Section 8. Execution in Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

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

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**

By: _____
Authorized Representative

**DISTRICT MANAGER, CAYUCOS
SANITARY DISTRICT**, as Trust Administrator

By: _____
District Manager

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE _____

OF THE _____
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the _____

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

pursuant to the provisions of _____; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture,
(herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921
et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event
that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____

hereby certify that the _____ of such Association is composed of _____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting by the vote shown above, I further certify that as of _____ , the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this _____ day of _____

Title _____

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE _____

OF THE _____
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the _____

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

pursuant to the provisions of _____; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture,
(herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921
et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event
that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____
 hereby certify that the _____ of such Association is composed of
 _____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and
 held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting
 by the vote shown above, I further certify that as of _____ ,
 the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
 rescinded or amended in any way.

Dated, this _____ day of _____

Title _____

AGENDA ITEM: 6.B
DATE: January 21, 2021

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE _____

OF THE _____

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the _____

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

_____ ; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
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4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

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CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____
 hereby certify that the _____ of such Association is composed of
 _____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and
 held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting
 by the vote shown above, I further certify that as of _____ ,
 the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
 rescinded or amended in any way.

Dated, this _____ day of _____

Title _____

LOAN RESOLUTION
(Public Bodies)

DATE: January 21, 2021

A RESOLUTION OF THE _____

OF THE _____
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

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WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture,
(herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921
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3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
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5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

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CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____
hereby certify that the _____ of such Association is composed of
_____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and
held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting
by the vote shown above, I further certify that as of _____ ,
the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
rescinded or amended in any way.

Dated, this _____ day of _____

Title _____



AGENDA ITEM: 7

DATE: January 21, 2021

CAYUCOS SANITARY DISTRICT

TO: BOARD OF DIRECTORS

**FROM: RICK KOON
DISTRICT MANAGER**

DATE: JANUARY 14, 2021

**SUBJECT: DISCUSSION AND CONSIDERATION TO APPROVE A RESOLUTION
2021-02 FOR MODIFICATIONS TO THE SERIES B LOAN WITH
WESTERN ALLIANCE BANK**

DISCUSSION:

In March 2018, the District was issued two loans from Western Alliance Bank for the construction of the CSWP. Loan Series A was issued in the amount of \$22M and Series B was an as-needed open credit for \$5M. An additional loan of \$6.8M, called Series A-1, was issued in October 2019 and was backed by the additional loan and grants the District received from the USDA.

At the time of closing the Series A-1, \$2.7M of Series A-1 was used to reimburse the higher interest Series B. In September 2019, the District had used \$2.7M of the Series B monies for the purchase of Lots 6 and 7 from Chevron Land and Development with the approval of the California Coastal Commission.

As part of the latest construction draw requests, the District has expended the Series A and A-1 loan amounts and requested a portion of Series B, \$1.3M. The District was informed this week by Western Alliance Bank that the Series B was not setup in their system as a revolving loan which means that the District is not allowed to use the portion of the loan, \$2.7M, that was paid back in October of 2019.

Staff has assessed the District's future monetary needs for the CWSP with Western Alliance Bank and WSC's Project Engineers. Western Alliance has offered to revise the Series B available commitment by \$4M. This will reinstate the previously paid \$2.7M and add another \$1.3M. The loan will still not be a revolver.

The Resolution for the revised Series B will also include a provision so that if more funds are needed, Series B can be extended. Also, the funds may be expended through October 2021 instead of April 2021 with the same maturity date of April 2030.

RECOMMENDATION:

Approve Resolution 2021-02 for modifications to the Series B loan with Western Alliance Bank.

RESOLUTION 2021-02

JANUARY 21, 2021

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF A SECOND AMENDMENT TO INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS TO PROVIDE FUNDING FOR THE CAYUCOS SUSTAINABLE WATER PROJECT

WHEREAS, the Cayucos Sanitary District (the “District”) is a sanitary district formed under Section 6400 et seq. of the California Health & Safety Code and validly existing under the laws of the State of California; and

WHEREAS, the District is authorized to sell and purchase its property to finance and refinance public capital improvements, including those improvements constituting the Enterprise and the Project (each as defined herein); and

WHEREAS, the District desires to provide additional funds to finance the construction, acquisition, and improvement of the Cayucos Sustainable Water Project and a new outfall (collectively, the “Project”); and

WHEREAS, in 2018, the District and the Corporation previously entered into an Installment Purchase Contract (the “Original Installment Purchase Contract”) in order to finance the construction, acquisition, and improvement of the Project and, in 2019, previously amended certain provisions of the Original Installment Purchase Contract by entering into a First Amendment to Installment Purchase Contract (the “First Amendment to Original Installment Purchase Contract”) and together with the Original Installment Purchase Contract, the “2018 Installment Purchase Contract”); and

WHEREAS, to provide additional funds necessary to finance the Project, the District desires to amend certain provisions of the 2018 Installment Purchase Contract by entering into a enter into that certain Second Amendment to Installment Purchase Contract (the “ Second Amendment Installment Purchase Contract”) with the Public Property Financing Corporation of California (the “Corporation”) in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution; and

WHEREAS, the District desires to authorize the Authorized Officers (defined below) to enter into additional subsequent amendments to the 2018 Installment Purchase Contract (“Additional Amendments”) within the parameters described herein; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing and refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every

requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of Second Amendment to Original Installment Purchase Contract submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President of the Board, and such other member of the Board as the President may designate, the District Manager of the District, and such other officers of the District as the District Manager of the District may designate (each an “Authorized Officer,” and together, the “Authorized Officers”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Second Amendment to Original Installment Purchase Contract in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of counsel to the District and Special Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Second Amendment to Original Installment Purchase Contract by such Authorized Officer.

Section 3. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Additional Amendments in such form as the Authorized Officer executing the same may require or approve, with the advice and approval of counsel to the District and Kutak Rock LLP (“Special Counsel”), such requirement or approval to be conclusively evidenced by the execution and delivery of the Additional Amendment by such Authorized Officer. In connection therewith, the District Board hereby approves the execution and delivery of any Additional Amendment so long as the aggregate principal amount of the Installment Payments under the 2018 Installment Purchase Contract and the Additional Amendments does not exceed \$[_____].

Section 4. The Authorized Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, including but not limited to a fee agreement, costs of issuance agreement, custodian agreement or other similar agreements, which in consultation with District counsel and Special Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

Section 5. This resolution shall take effect immediately.

On motion of Director _____, seconded by Director _____, and on the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

The foregoing Resolution is hereby adopted this 21st day of January, 2021.

ATTEST:

Rick Koon, District Manager

Robert B. Enns, Board President

(SEAL)