

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
AGENDA, CALL AND NOTICE  
SPECIAL MEETING OF THE BOARD OF DIRECTORS**

Clearlake Oaks County Water District Administration Building  
12952 E. Hwy. 20 Clearlake Oaks, CA 95423 (707) 998-3322

**June 27, 2017**

This meeting will be conducted by Roberts Rule of Order.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the above address.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits of three minutes.

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Clearlake Oaks County Water District Secretary to the Board at 707-998-3322. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

**Public comment on non-agenda items**

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to three (3) minutes

**AGENDA**

**Call to Order – 1 p.m.**

**Pledge of Allegiance**

**Roll Call**

- Mrs. Margaret Medeiros, President    Mr. Karl Hosier, Vice President    Mrs. Judy Heeszal, Director
- Mr. Samuel Boucher    Mr. Stanley Archacki
  
- Mr. Alan Gardner – General Manager    Mr. Jason Mitchell – Operations Manager
- Mrs. Dianna Mann - Secretary to the Board

**New Business**

- a. Discussion and consideration of Resolution No. 17-11, Awarding contract for the USDA Wastewater System Improvements Project

**Action Taken:** \_\_\_\_\_

- b. Discussion and consideration of Resolution No. 17-12, Authorized Representative for the USDA Wastewater Improvements System

**Action Taken:** \_\_\_\_\_

- c. Discussion and consideration of Resolution No. 17-13, Reimbursement to SWRCB for the WTP, Meter, and Cross Connection Control Projects

**Action Taken:** \_\_\_\_\_

- d. Discussion and consideration of Resolution No. 17-14, Reimbursement to SWRCB for the Water Storage Tanks and Distribution System Improvement Project

**Action Taken:** \_\_\_\_\_

- e. Discussion and consideration of Resolution No. 17-15, Reimbursement to SWRCB for the Harvey Area Water System Improvement Project

**Action Taken:** \_\_\_\_\_

- f. Discussion and consideration of Memorandum to the Board

**Action Taken:** \_\_\_\_\_

- g. Discussion and consideration of Resolution No. 17-16, Authorizing and Directing Execution of a Trust Agreement, Installment Sale Agreement, Assignment Agreement and Purchase Order

**Action Taken:** \_\_\_\_\_

- h. Discussion and consideration of Resolution No. 17-17, Approving District Debt Management Policy and Post-Issuance Tax Compliance Policy

**Action Taken:** \_\_\_\_\_

- i. Discussion and consideration of Resolution No. 17-18, Reimburse Certain Expenditures from the Proceed of Tax-Exempt Obligations

**Action Taken:** \_\_\_\_\_

- j. Discussion and consideration of providing a notice to proceed and paying contractor's first month, approximately \$170,000 until USDA loan closes which is estimated for the last week in July and District will be reimbursed

**Action Taken:** \_\_\_\_\_

**Adjournment**                      **Time:** \_\_\_\_\_

# CLEARLAKE OAKS COUNTY WATER DISTRICT

## RESOLUTION NO. 17-11

### A RESOLUTION OF THE BOARD OF DIRECTORS OF CLEARLAKE OAKS COUNTY WATER DISTRICT AWARDING THE CONTRACT FOR THE USDA WASTEWATER SYSTEM IMPROVEMENTS PROJECT

**WHEREAS**, the Clearlake Oaks County Water District has received a loan and grant in the amount of \$4,893,540.00 for improvements to its wastewater treatment plant (the "Project");

**WHEREAS**, the District publicly bid the Project in accordance with applicable law, and received four (4) bids in response; and

**WHEREAS**, T&S Construction Company, Inc. submitted a bid at a total Project cost of \$3,736,000.00; and

**WHEREAS**, the District's Board of Directors finds that T&S Construction Company, Inc.'s bid qualifies as the lowest responsible bid;

**NOW THEREFORE, BE IT RESOLVED** that the contract for the District's USDA Wastewater System Improvements Project be and is hereby awarded to T&S Construction Company in the amount of \$3,736,000.00.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting held on the 27th day of June, 2017 by the following vote:

**Ayes:**

**Noes:**

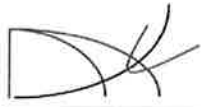
**Abstain:**

**Absent:**

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Margaret Medeiros, President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary



June 14, 2017

Alan Gardner, General Manager  
**Clear Lake Oaks County Water District**  
12952 State Hwy 20  
Clearlake Oaks, CA 95423

**RE: Clearlake Oaks WWTP Improvements Bid Submittal Summary**

Dear, Mr. Gardner,

We have reviewed the submitted contractor bids for the upcoming Wastewater Treatment Plant Improvement Project. The attached Table 1 includes a checklist of the documents received with the bids. We have scanned the original documents and we are returning the hardcopies to your office for your official records.

As you are aware, after an error was discovered, the proposal by KG Walters, our original lowest bidder, was withdrawn. It has become evident that T&S Construction is now the apparent lowest qualified bidder at \$3,736,000.

Based on information received to date we have not identified any reason not to award the construction of Clearlake Oaks WWTP Improvements to T&S Construction. We will continue to review their qualifications, check references, review the status of their license, and other required documents prior to award and determination of the recommended lowest responsive and responsible bidder.

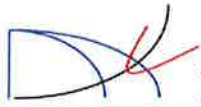
The T&S subcontractors include:

- 1) Redwood Painting Co. Inc. (painting and coatings)
- 2) Camblin Steel Service Inc. (rebar/steel)
- 3) Coastal Mountain Electric (electrical)

Sincerely,

A handwritten signature in black ink that reads "Mark Carey". The signature is written in a cursive, flowing style.

Mark A. Carey, PE



**Table 1. Bid Documents Checklist**

Bid Documents					
Item Number	Description	KG Walters	T&S	C. Overaa	Gateway
_00410	Bid Form	x	x	x	x
	Corporate Resolution	x	x	x	x
	Contractor License	Note 1	Note 2	x	x
_00420	Non Collusion	x	x	x	x
	Bid Bond	x	x	x	x
_00440	Compliance Statement	x	x	x	x
_00441	Safety	x	x	x	x
_00450	USDA	x	x	x	x
_00460	Grants/ Loans	x	x	x	x
_00470	Workers Comp	x	x	x	x
_00480	Subs	x	x	x	x
	*Sub Safety Qualls			x	
	Addendum 1				
	Acknowledged	x	x		x

**Notes:**

- 1) California State Contractor's License Number is 301528
- 2) California State Contractor's License Number is 301314 for T&S Construction
- 3) Starred Documents are not required

**Table 2. Summary of Bid Results**

Bid Schedule						
Bid Item		KG Walters	T&S	C. Overaa	Gateway Pacific	Average
1	Mobilization/Demobilization	\$150,000.00	\$170,000.00	\$185,000.00	\$190,000.00	\$173,750.00
2	WWTP Improvements	\$2,861,000.00	\$3,320,000.00	\$3,559,000.00	\$3,601,386.00	\$3,335,346.50
3	Pollution Control	\$5,000.00	\$45,000.00	\$5,000.00	\$5,000.00	\$15,000.00
4	Safety Orders/Deductive	\$1,000.00	\$15,000.00	\$5,000.00	\$5,000.00	\$6,500.00
5	SCADA/PLC	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00
6	Other	\$16,000.00	\$150,000.00	\$1,000.00	\$10,000.00	\$44,250.00
<b>Total Lump Sum Price</b>		<b>\$3,069,000.00</b>	<b>\$3,736,000.00</b>	<b>\$3,791,000.00</b>	<b>\$3,847,386.00</b>	<b>\$3,791,462.00</b>

**Notes:**

- 1) Lump Sum Average does not include KG Walters



Rural Development

June 22, 2017

Davis Office

430 G St, #4169  
Davis, CA  
95616-4169

Mr. Mark Carey  
MC Engineering  
1000 River Rock Drive  
Folsom, CA 95630

Voice 530.792.5806  
Fax 530.792.5838  
TDD: 530.792.5848

Dear Mr. Carey:

Subject: Clearlake Oaks County Water District  
Wastewater System Improvements Project

USDA Rural Development has reviewed the bid information and concurs with your recommendation to award the contract to T&S Construction in the amount of \$3,736,000. At this time, you will need to prepare the construction contract for execution by all parties following the guidance outlined in this letter.

Five copies of the construction contract agreement (EJCDC C-520) needs to be prepared for execution. The contractor must also obtain performance and payment bonds utilizing a surety company listed on the Treasury Department's most current revision of Circular 570. (The surety for the bid bond is acceptable.) The contractor will also need to provide copies of the certificates of insurance for this project. The District's attorney must then review these documents and execute the "Certificate of Owner's Attorney" found on page 8 of 8 of the contract agreement. All five copies of the contract will then be submitted to this agency for approval along with the following items:

1. Contract Agreement The agreements needs to be signed by the contractor and the District, and the attorney's certificate also needs to be executed prior to submitting the contracts to this agency.
2. Notice of Contract Award
3. Performance and Payment Bonds The bond forms contained in the contract documents must be utilized and valid Powers-of-Attorney need to be attached.
4. Contractor's Certificate of Insurance

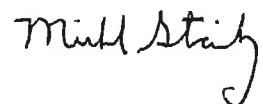
Please contact Reef Atwell and myself when you schedule the preconstruction conference since a representative from this agency must attend the meeting. (The proposed resident inspectors for this project are acceptable to this agency.) You are reminded that the Notice to Proceed cannot be issued until this agency has approved the construction contract agreement.

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

If you have any questions pertaining to this letter, please contact me at (530) 792-5814.

Sincerely,

A handwritten signature in cursive script that reads "Michael Starinsky".

Michael Starinsky  
State Engineer

cc: Reef Atwell, USDA Rural Development, Santa Rosa  
Alan Gardner, Clearlake Oaks CWD

# CLEARLAKE OAKS COUNTY WATER DISTRICT

## RESOLUTION NO. 17-12

### AUTHORIZING REPRESENTATIVE FOR THE USDA WASTEWATER IMPROVEMENTS PROJECT

**WHEREAS**, per the awarding of the construction contract for the USDA Wastewater Improvements Project, the following is resolved by the Clearlake Oaks County Water District Board of Directors:

**WHEREAS**, The General Manager (“the Authorized Representative”) or his/her designee, is designated to provide the assurances, certifications, and commitments required for the financial responsibility of the District; and

**BE IT FURTHER RESOLVED**, the Authorized Representative, or his/her designee, is designated to represent the District in carrying out the District’s responsibilities under the financing agreement, including approving contractor billing and certifying and approving disbursement requests on behalf of the District, in compliance with applicable state and federal laws.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting held on the 27th day of June, 2017 by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Margaret Medeiros, President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

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**CLEARLAKE OAKS COUNTY WATER DISTRICT  
RESOLUTION NO. 17-13**

**RESOLUTION TO PROVIDE REIMBURSEMENT TO THE STATE WATER  
RESOURCES CONTROL BOARD FOR THE WATER TREATMENT PLANT, METER,  
AND CROSS CONNECTION CONTROL PROJECTS**

**WHEREAS**, the Clearlake Oaks County Water District (District) desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water system, including certain water treatment facilities, pipelines, meters and other infrastructure (the "Project"); and

**WHEREAS**, the District intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (SWRCB) Drinking Water State Revolving Fund (DWSRF); and

**WHEREAS**, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

**WHEREAS**, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the District desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the District; and

**WHEREAS**, the District has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the District for the Expenditures from the proceeds of the Obligations, and

**WHEREAS**, the District is eligible for 100% Grant funding as an "extreme disadvantage community" (EDC); and

**NOW, THEREFORE, THE AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:**

**SECTION 1:** The District hereby states its intention and reasonably expects to reimburse expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

**SECTION 2:** The reasonably expected maximum principal amount of the Project Grant Funds is \$ **3,759,644.00** and

**SECTION 3:** This resolution is being adopted no later than 60 days after the date on which

the District will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

**SECTION 4:** Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

**SECTION 5:** To the best of our knowledge, this District is not aware of the previous adoption of official intents by the District that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

**SECTION 6:** This resolution is adopted as official intent of the District in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

**SECTION 7:** All the recitals in this Resolution are true and correct and this District so finds, determines and represents.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting thereof held on the 27th day of June, 2017 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Margaret Medeiros, Board President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
RESOLUTION NO. 17-14**

**RESOLUTION TO PROVIDE REIMBURSEMENT TO THE STATE WATER  
RESOURCES CONTROL BOARD FOR THE WATER STORAGE TANKS AND  
DISTRIBUTION SYSTEM IMPROVEMENT PROJECT**

**WHEREAS**, the Clearlake Oaks County Water District (District) desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water system, including certain water treatment facilities, pipelines and other infrastructure (the "Project"); and

**WHEREAS**, the District intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (SWRCB) Drinking Water State Revolving Fund (DWSRF); and

**WHEREAS**, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

**WHEREAS**, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the District desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the District; and

**WHEREAS**, the District has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the District for the Expenditures from the proceeds of the Obligations, and

**WHEREAS**, the District is eligible for 100% Grant funding as an "extreme disadvantage community" (EDC); and

**NOW, THEREFORE, THE AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:**

**SECTION 1:** The District hereby states its intention and reasonably expects to reimburse expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

**SECTION 2:** The reasonably expected maximum principal amount of the Project Grant Funds is **\$4,582,206**, and

**SECTION 3:** This resolution is being adopted no later than 60 days after the date on which the District will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

**SECTION 4:** Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

**SECTION 5:** To the best of our knowledge, this District is not aware of the previous adoption of official intents by the District that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

**SECTION 6:** This resolution is adopted as official intent of the District in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

**SECTION 7:** All the recitals in this Resolution are true and correct and this District so finds, determines and represents.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting thereof held on the 27th day of June, 2017 by the following vote:

- AYES:**
- NOES:**
- ABSENT:**

**CLEARLAKE OAKS COUNTY WATER DISTRICT**

By: \_\_\_\_\_  
Margaret Medeiros, Board President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

**MEMORANDUM TO THE BOARD**

**DATE:** JUNE 26, 2017

**TO:** Board of Directors

**FROM:** Alan Gardner, General Manager 

**RE: CONSIDERATION OF RESOLUTIONS APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN CERTIFICATES OF PARTICIPATION FINANCING DOCUMENTS FOR THE ACQUISITION AND CONSTRUCTION OF WASTEWATER FACILITIES AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO**

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**COMMENT:** This document was drafted by Bond Counsel Cameron Weist. As GM I have read it. I have relied on counsel for the discussion and explanation since he and the prior GM performed all of the initial development of the project and documents. Based on that discussion I do recommend proceeding as discussed below.

**RECOMMENDATION**

It is recommended: that the Board of Directors (the "Board") adopt (i) Resolution No. 17-18, thereby declaring its intention to reimburse certain expenditures from the proceeds of tax-exempt obligations; (ii) Resolution No. 17-16, thereby approving the form of all financing documents, and directing staff to work with Bond Counsel and United States of America, Acting through Rural Utility Service, United States Department of Agriculture, California (hereafter referred to as "USDA") to finalize the issuance of the Series 2017 Certificates of Participation (the "COPs"), the proceeds of which will be used to complete the acquisition and construction of the proposed new wastewater facilities project, (iii) Resolution No. 17-17, thereby approving a Debt Management Policy and a Post-Issuance Tax Compliance Policy, and (iv) Resolution No. 17-19, thereby adopting and approving the USDA Resolution (USDA Form RD 1780-27), as an additional necessary prerequisite to the issuance of the COPs.

**EXECUTIVE SUMMARY**

The subject resolutions essentially authorize and approve the form of all the foundational legal documents (the "Financing Documents") necessary to provide for the successful issuance of the COPs. The adoption of each of the Resolutions is a legal prerequisite to allow for the completion of the appropriate documentation necessary for the USDA/COP finalization. The accompanying Financing Documents comprise a financing structure that is considered standard for California government agencies to legally incur debt secured by wastewater enterprise fund revenues, and is acceptable to USDA, as the purchaser of the COPs. In using this financing structure, an installment sale arrangement must be established with an independent public benefit corporation. The Public Property Financing Corporation of California (the "Corporation") is being recommended as the independent public benefit corporation for this financing transaction.

The COPs will be repaid from Net Revenues of the Wastewater Enterprise. "Net Revenues" means for any Fiscal Year (or other designated twelve (12) calendar month period), the Gross Revenues (i.e., all revenues

generated by the Wastewater Enterprise) during such Fiscal Year (or designated twelve (12) calendar month period) less the Operation and Maintenance Costs during such period.

The proposed COPs are to be issued as limited obligation bonds, payable only from Net Revenues of the Wastewater Enterprise, and therefore the District's general fund, water fund (and any other funds) will be not be exposed to repayment risk.

The Financing Documents are being presented to the Board as "form-only documents." The subject resolutions authorize and direct District officers and staff to finalize the Financing Documents as and when appropriate, and to do all things necessary to provide for the issuance of the COPs, which is expected to occur sometime towards the end of July. This method of approval is the normal method of approving a bond issue.

While the Financing Documents are complex and contain legal terminology, they can be succinctly summarized as follows: the District sells the COPs directly to USDA and uses the proceeds of the COPs, along with the USDA grant component proceeds, to acquire and construct the proposed wastewater project (the "Project") and pay costs of issuance. Pursuant to the Installment Sale Agreement, the District is "purchasing" the Project from the Corporation (which is a California 501(c)(3) non-profit corporation that specializes in these matters) in exchange for making the semi-annual Installment Payments which are assigned to the "Trust Administrator" (which role is being served by the General Manager), who then makes corresponding semi-annual debt service payments directly to USDA. Based upon the revenue stream of Installment Payments, the District issues the COPs pursuant to the Trust Agreement, which are sold to USDA in exchange for cash to the District. The proposed COPs are structured to be tax-exempt and are pre-payable at any time without penalty.

The draft Financing Documents, and a brief description of each, is as follows:

**Installment Sale Agreement:** This agreement provides for the sale of the Project to the Corporation, and then back to the District in exchange for the District's promise to make future semi-annual Installment Payments to the Corporation, which semi-annual payments are commensurate with the debt service on the COPs. This agreement also requires the District to maintain Net Revenues in excess of 120% total annual debt service on the COPs as well as any new parity debt issued in the future. In addition to making the Installment Payments, the District covenants to acquire and construct the Project in accordance with proper plans and specifications, and then to maintain the Project throughout the term of the Installment Sale Agreement, pay taxes, if any, and to maintain various forms of insurance.

**Trust Agreement:** This document provides for execution and delivery of the COPs to USDA in exchange for proceeds in the par amount thereof, and further establishes the covenants and specifics of the COPs, including (i) the application of proceeds to pay for the reimbursement, acquisition and construction costs of the proposed Project (as well as payment of the costs of issuance for the COPs), (ii) the establishment of a debt service reserve fund, (iii) the establishment of a short-lived assets reserve fund, (iv) the Trust Administrator's duties, (v) repayment mechanisms, (vi) default and remedies provisions, and (vii) the COP Owners (i.e., USDA) rights and remedies.

**Assignment Agreement:** This document provides the terms and conditions under which the Corporation assigns the District's Installment Payments to the Trust Administrator, for ultimate payment to USDA.

Purchase Offer: The District will sell the COPs to USDA pursuant to the terms of the Purchase Offer. The Purchase Offer states the conditions under which USDA will purchase the COPs and requires the District to deliver all the duly authorized and executed documents and opinions at closing. The District also covenants that there is no material litigation against the District which would impair its ability to make Installment Payments or affect the COPs. The sale is scheduled in accordance with the parameters described above.

## **TWO NEW DISTRICT POLICIES**

In addition to approval of the Financing Documents, the applicable resolution also adopts a Post-Issuance Tax Compliance Policy and a Debt Management Policy which are intended to (i) ensure that use, expenditure and investment of COP proceeds (as well as equipment and property acquired and constructed with such proceeds) remains in compliance with federal tax and arbitrage rules, (ii) identify the processes for debt issuance, identify risk thresholds, and provide a mode of enforcement of debt management policies, and (iii) promote best practices regarding Tax Compliance and Debt Management. Adoption of the Debt Management Policy is also now (as of January 1, 2017) mandated by Section 8855(i) of the Government Code.

## **FISCAL IMPACT**

The attached Resolutions authorize the District to issue tax-exempt debt for purposes of completing the acquisition and construction of the proposed Project. Pursuant to the Installment Sale Agreement, the District promises the owners of the Certificates (i.e., USDA) to annually budget and appropriate from the Wastewater Enterprise Fund sufficient funds to make all Installment Payments pursuant to the Installment Sale Agreement.

## **ALTERNATIVE(S)**

1. Approve the resolutions as presented by Staff.
2. Reject the options as proposed and provide Staff with direction.

## **ATTACHMENTS**

Resolution No. 17-16  
Resolution No. 17-17  
Resolution No. 17-18  
Resolution No. 17-19  
Draft Form of Trust Agreement  
Draft Form of Installment Sale Agreement  
Draft Form of Assignment Agreement  
Draft Form of Purchase Offer  
Debt Management Policy  
Post-Issuance Tax Compliance Policy

**NOTE: ALL DOCUMENTS MENTIONED IN THIS MEMORANDUM ARE ON FILE WITH THE DISTRICT SECRETARY'S OFFICE.**

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
RESOLUTION NO. 17-15**

**RESOLUTION TO PROVIDE REIMBURSEMENT TO THE STATE WATER  
RESOURCES CONTROL BOARD FOR THE HARVEY AREA WATER SYSTEM  
IMPROVEMENT PROJECT**

**WHEREAS**, the Clearlake Oaks County Water District (District) desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water system, including certain water treatment facilities, pipelines and other infrastructure (the "Project"); and

**WHEREAS**, the District intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (SWRCB) Drinking Water State Revolving Fund (DWSRF); and

**WHEREAS**, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

**WHEREAS**, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the District desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the District; and

**WHEREAS**, the District has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the District for the Expenditures from the proceeds of the Obligations, and

**WHEREAS**, the District is eligible for 100% Grant funding as an "extreme disadvantage community" (EDC); and

**NOW, THEREFORE, THE AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:**

**SECTION 1:** The District hereby states its intention and reasonably expects to reimburse expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

**SECTION 2:** The reasonably expected maximum principal amount of the Project Grant Funds is \$1,625,000, and

**SECTION 3:** This resolution is being adopted no later than 60 days after the date on which the District will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

**SECTION 4:** Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

**SECTION 5:** To the best of our knowledge, this District is not aware of the previous adoption of official intents by the District that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

**SECTION 6:** This resolution is adopted as official intent of the District in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

**SECTION 7:** All the recitals in this Resolution are true and correct and this District so finds, determines and represents.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting thereof held on the 27th day of June, 2017 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Margaret Medeiros, Board President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
RESOLUTION NO. 17-16**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CLEARLAKE OAKS  
COUNTY WATER DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED  
\$2,831,000 PRINCIPAL AMOUNT OF SERIES 2017 CERTIFICATES OF  
PARTICIPATION, APPROVING AND AUTHORIZING AND DIRECTING EXECUTION  
OF A TRUST AGREEMENT, INSTALLMENT SALE AGREEMENT, ASSIGNMENT  
AGREEMENT, AND PURCHASE OFFER, AND PROVIDING FOR OTHER MATTERS  
PROPERLY RELATED THERETO**

**WHEREAS**, the Clearlake Oaks County Water District (the “District”), working together with the Public Property Financing Corporation of California, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the “Corporation”), have agreed to enter into certain contractual relations for the purpose, among other things, of providing financing for public capital improvements of the District; and

**WHEREAS**, for the purpose of providing financing for the proposed new wastewater facilities (the “Facilities”), all as more particularly described in Exhibit A to the hereinafter approved Installment Sale Agreement (the “Project”), the District is hereby requesting the Corporation to assist in the issuance of Clearlake Oaks County Water District, Series 2017 Certificates of Participation, in the aggregate principal amount of not to exceed \$2,831,000 (the “COPs”), all pursuant to and secured by an Trust Agreement (the “Trust Agreement”), dated as of July 1, 2017, by and among the District, the Corporation and the General Manager, as trust administrator (the “Trustee Administrator”); and

**WHEREAS**, the District proposes to purchase the Project from the Corporation pursuant to a certain Installment Sale Agreement (the “Installment Sale Agreement”), dated as of July 1, 2017, by and between the Corporation and the District, whereby the District will make prescribed installment payments (the “Installment Payments”) from the wastewater enterprise fund, commensurate with the debt service scheduled for the repayment of the COPs; and

**WHEREAS**, to further implement the foregoing, the Corporation and the Trustee Administrator propose to execute and enter into an Assignment Agreement (the “Assignment Agreement”), dated as of July 1, 2017, whereby the Corporation will assign to the Trustee Administrator all of its rights and entitlements under the Installment Sale Agreement, including but not limited to the entitlement to receive the Installment Payments from the District; and

**WHEREAS**, the District and Corporation propose to sell the COPs to the United States of America, Acting Through Rural Utility Service, United States Department of Agriculture, California (hereafter referred to as “USDA”), pursuant to USDA’s Purchase Offer (the “Purchase Offer”), all on the terms and conditions herein set forth and as provided in the Trust Agreement and Installment Sale Agreement, so long as the aggregate principal amount of the COPs does not exceed \$2,831,000, and the average interest rate does not exceed three percent (3%) per annum; and

**WHEREAS**, the Board desires to designate the COPs as a “Qualified Tax-Exempt Obligation,” for purposes of Paragraph (3) of Section 265(b) of the Code and

**WHEREAS**, the District, with the aid of its staff, has reviewed the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement and the Purchase Offer, the forms of which are on file with the District Secretary, and the Board wishes at this time to approve the foregoing in the public interests of the District; 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 such financing 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 Project in the manner and upon the terms herein provided; and

**WHEREAS**, the Board wishes at this time to authorize all proceedings relating to the Project and the issuance of the COPs and the execution and delivery of all agreements and documents relating thereto; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Clearlake Oaks County Water District hereby orders and determines as follows:

**Section 1. Recitals and Findings.** The Board hereby specifically finds and declares that each of the statements, findings and determinations of the District set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct and that the financing of the Project will result in significant public benefits for the residents of the District. The Board hereby further finds and determines that the total installment payments to be paid under the Installment Sale Agreement does not exceed the fair market value of the Project as set forth in the Installment Sale Agreement.

**Section 2. Authorized Representatives.** The President, General Manager, Secretary, and any other person authorized by the Board to act on behalf of the District shall each be an "Authorized Representative" of the District for the purposes of structuring and providing for the issuance of the COPs, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the District, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the sale of the COPs (including the investment of proceeds of the COPs), and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the District has approved in this Resolution.

**Section 3. Approval of the Issuance of the COPs; Significant Public Benefits.** The Board hereby approves the issuance of the COPs by the District in a principal amount of not to exceed \$2,831,000, all as above described. The Board hereby finds and determines that the issuance and sale of the COPs by the District to USDA will result in savings in effective interest rates, underwriting costs and issuance costs and thereby result in significant public benefits to the District.

**Section 4. Appointment of Trustee Administrator.** The General Manager is hereby appointed to act as Trustee Administrator under the Trust Agreement unless and until replaced in accordance with the provisions of the Trust Agreement.

**Section 5. Approval of Installment Sale Agreement.** The Board hereby authorizes and approves the purchase of the Project by the District pursuant to the Installment Sale Agreement. The Board hereby approves the Installment Sale Agreement in substantially the form on file with the District Secretary

together with any additions thereto or changes therein (including, but not limited to, the final amount of the sale price for the Project and the final debt service payment schedule) deemed necessary or advisable by an Authorized Representative of the District, upon the advice of the District's Bond Counsel. Any Authorized Representative of the District is hereby authorized and directed to execute, and the District Secretary is hereby authorized and directed to attest and affix the seal of the District to, the final form of the Installment Sale Agreement for and in the name and on behalf of the District and the execution thereof shall be conclusive evidence of the Board's approval of any such additions and changes. The Board hereby authorizes the delivery and performance of the Installment Sale Agreement.

**Section 6. Approval of Trust Agreement.** The Board hereby approves the Trust Agreement in substantially the form on file with the District Secretary and consents to such revisions, amendments and completions as shall be approved by an Authorized Representative of the District. Any Authorized Representative of the District is hereby authorized and directed to execute, and the District Secretary is hereby authorized and directed to attest and affix the seal of the District to, the final form of the Trust Agreement for and in the name and on behalf of the District and the execution thereof shall be conclusive evidence of the Board's approval of any such additions and changes. The Board hereby authorizes the delivery and performance of the Trust Agreement.

**Section 7. Approval of Assignment Agreement.** The form of the Assignment Agreement presented to this meeting and on file with the District Secretary, is hereby approved. The General Manger, as Trust Administrator, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Corporation the Assignment Agreement in substantially said form, with such changes therein as the Trust Administrator may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Trust Administrator. The Board hereby authorizes the delivery and performance of the Assignment Agreement.

**Section 8. Sale of COPs.** The form of the Purchase Offer made by USDA, in substantially the form presented at this meeting and on file with the District Secretary, is hereby ratified and approved, and each of the Authorized Representatives are each 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 COPs does not exceed \$2,831,000, and the interest rate does not exceed three percent.

**Section 9. Qualified Tax-Exempt Obligation.** The Board hereby designates the Installment Sale Agreement and the COPs for purposes of Paragraph (3) of Section 265(b) of the Code as a "Qualified Tax-Exempt Obligation" and covenants that the Installment Sale Agreement and the COPs do not constitute a private activity bond as defined in Section 141 of the Code and that the aggregate face amount of all tax-exempt obligations issued by the District (including all subordinate entities of the District and all entities which may issue obligations on behalf of the District) during the calendar year 2017 is not reasonably expected to exceed \$10,000,000, excluding, however, private activity bonds, as defined in Section 141 of the Code (other than qualified 501(c)(3) bonds as defined in Section 145 of the Code) and current refunding obligations having a principal amount not in excess of the refunded obligation.

**Section 10. Official Actions.** Each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents,

instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution.

**Section 11. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting thereof held on the 27th day of June, 2017 by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

**CLEARLAKE OAKS COUNTY WATER DISTRICT**

By: \_\_\_\_\_  
Margaret Medeiros, Board President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

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**TRUST AGREEMENT**

**by and among the**

**CLEARLAKE OAKS COUNTY WATER DISTRICT**

**and the**

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

**and the**

**GENERAL MANAGER OF THE CLEARLAKE OAKS COUNTY WATER DISTRICT,  
as Trust Administrator**

**Dated as of July 1, 2017**

**Relating to the**

**\$2,831,000  
CLEARLAKE OAKS COUNTY WATER DISTRICT  
(County of Lake, California)  
SERIES 2017 CERTIFICATES OF PARTICIPATION  
(Wastewater System Improvement Project)  
BANK QUALIFIED**

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## TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of July 1, 2017, is by and among the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California (the "Corporation"), the CLEARLAKE OAKS COUNTY WATER DISTRICT, a county water district and public agency duly organized and validly existing under the laws of the State of California (the "District"), and THE GENERAL MANAGER OF THE CLEARLAKE OAKS COUNTY WATER DISTRICT, as Trust Administrator (the "Trust Administrator");

### *WITNESSETH:*

WHEREAS, the District and the Corporation propose to undertake the acquisition and financing of certain capital improvements (the "Project") to the District's municipal wastewater system (interchangeably, the "Enterprise," "Wastewater Enterprise" or "Wastewater System"); and

WHEREAS, to help finance the Project, the District has agreed to purchase the Project from the Corporation pursuant to, and in accordance with the terms set forth in an Installment Sale Agreement, dated as of July 1, 2017, by and between the District and the Corporation (the "Installment Sale Agreement"); and

WHEREAS, concurrently with the execution of this Trust Agreement, it is contemplated that the Trust Administrator will authenticate and deliver the Clearlake Oaks County Water District, Series 2017 Certificates of Participation (Wastewater System Improvement Project), in the aggregate principal amount of \$2,831,000 (the "Certificates") pursuant to the terms and conditions of this Trust Agreement, evidencing a direct, undivided fractional interest in certain Installment Payments to be made by the District, pursuant to the terms and conditions of the Installment Sale Agreement (the "Installment Payments"); and

WHEREAS, all rights to receive the Installment Payments will be assigned without recourse by the Corporation to the Trust Administrator, for the benefit of the Owners of the Certificates, pursuant to an Assignment Agreement, dated as of July 1, 2017, by and between the Trust Administrator and the Corporation (the "Assignment Agreement"); and

WHEREAS, in consideration of such assignment, concurrently with the execution of this Trust Agreement, the Trust Administrator will authenticate and deliver the Certificates to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (interchangeably, the "USDA" or "Government"), as the initial purchasers thereof; and

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

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the Certificates, when executed, authenticated and delivered by the Trust Administrator and duly issued, the valid, binding and legal special obligations of the District, and to constitute this Trust Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Trust Agreement have been in all respects duly authorized; and

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

**ARTICLE I  
DEFINITIONS; AUTHORIZATION; EXHIBITS**

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified. In addition, all terms defined in the Installment Sale Agreement and not otherwise defined herein shall have the respective meanings specified in the Installment Sale Agreement.

*“Acquisition and Construction”* means, with respect to any portion of the Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

*“Assignment Agreement”* means the Assignment Agreement, dated as of July 1, 2017, by and between the Corporation and the Trust Administrator, together with any amendments or supplements thereto.

*“Board”* means the Board of Directors of the District.

*“Bond Counsel”* means (a) The Weist Law Firm, and (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to municipal obligations, the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code.

*“Business Day”* means any day other than (i) a Saturday or a Sunday or (ii) a day on which the District offices are authorized or obligated by law or executive order to be closed.

*“Certificate Maturity Date”* means June 1, 2057, which is the date on which the final principal component of the Installment Payments evidenced and represented thereby shall become due and payable.

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

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

*“Certificates”* means the \$2,831,000 Clearlake Oaks County Water District, Series 2017 Certificates of Participation (Wastewater System Improvement Project), Bank Qualified, dated the Closing Date, authorized, executed and delivered pursuant to this Trust Agreement.

*“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.

**“Corporation”** means the Public Property Financing Corporation of California, a non-profit public benefit corporation duly organized and validly existing under the laws of the State of California.

**“Corporation Board”** means the governing board of the Corporation.

**“Corporation Representative”** means the President, Vice President, Treasurer or Secretary of the Corporation, or any other person authorized by resolution of the Corporation Board to act on behalf of the Corporation under or with respect to this Trust Agreement.

**“County”** means the County of Lake, 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, Bond Counsel fees and expenses, 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 Hundred Dollars (\$100).

**“District”** means the Clearlake Oaks County Water District, California.

**“District Representative”** means the President, Vice President, General Manager, Finance Director and Secretary or Acting Secretary, or any other official of the District authorized by the Board to act for, and on behalf of, 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.

“**Finance Director**” means the person who is the District’s acting or interim Finance Director or his or her deputy or assistant.

“**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.

“**Fitch**” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, “Fitch” will be deemed to refer to any nationally recognized rating agency designated by the District.

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

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

“**Gross Revenues**” means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Wastewater System or otherwise arising from the Wastewater System, including but not limited to connection charges and investment earnings on such charges, income and receipts. Gross Revenues shall not include (i) customers’ wastewater related deposits or any other wastewater related deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any ad valorem property taxes, (iii) grants that are designated by the grantor for a specific wastewater purpose and are therefore not available for other purposes, (iv) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific wastewater facilities, and (v) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Wastewater System.

“**Independent Certified Public Accountant**” means any firm of certified public accountants appointed by the District that is independent according to the Statement of Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

***“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 generally recognized to be well-qualified in engineering matters relating to wastewater systems similar to the Wastewater System, 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 a financial consultant qualified in the field of municipal finance, appointed and paid by the District, and who:

- (1) is in fact independent and not under the domination of the District or any member thereof;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as an officer or employee of the District or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon 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 “Clearlake Oaks County Water District Project Installment Payment Fund” established and held by the Trust Administrator pursuant to Article III of this Trust Agreement.

***“Installment Sale Agreement”*** means the Installment Sale Agreement, dated as of July 1, 2017, 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 this Trust Agreement and held by the Trust Administrator.

***“Interest Component Payment”*** means each interest portion of each Installment Payment made pursuant to Section 2.04 hereof.

***“Interest Fund”*** means the fund by that name established in Section 5.04 herein.

**“Interest Payment Date”** means June 1 and December 1 of each year, commencing December 1, 2017.

**“Interest Rate”** means the rate of interest to be paid on the Certificates, which is 2.125% per annum.

**“Moody’s”** means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized rating agency designated by the District.

**“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 to maintain and operate the Wastewater System, including but not limited to (a) costs of acquisition of water to be supplied by the Wastewater System, (b) costs of electricity and other forms of energy supplied to the Wastewater System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order, (d) the reasonable administrative costs of the District that are properly charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Debt or of such Parity Debt, such as compensation, reimbursement and indemnification of any trustees for any such Parity Debt, and fees and expenses of Independent Certified Public Accountants, Independent Counsel, Independent Financial Consultants, Independent Engineers, and other necessary consultants, but in all cases excluding (i) debt service payments or other similar payments payable on obligations incurred by the District with respect to the Wastewater System, including but not limited to the Installment Payments and payments on any Parity Debt, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

**“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 this Trust Agreement) all Certificates theretofore executed and delivered by the Trust Administrator under this 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 this 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 this Trust Agreement.

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

“*Parity Debt*” means (i) the Certificates issued hereunder, and (ii) any other indebtedness or other obligation (including certificates, bonds, 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*” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, provided that the same are of appropriate maturity and acquired at Fair Market Value:

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

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

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

(iv) Nonnegotiable certificates of deposit issued by a nationally chartered bank, a bank chartered by the State of California or a foreign banking corporation, authorized pursuant to Section 1756 of the California Financial Code to transact business in the State of California by accepting deposits, or a State of California or federal savings and loan association, provided that such certificates of deposit are fully collateralized in the manner required for collateralization of trust funds; and

(v) Any investment agreement, guarantee or other investment vehicle or security issued by, secured by or otherwise representing the general obligations of a financial institution whose long-term unsecured, uninsured and unguaranteed obligation or claims-paying ability is rated AA or better by any Rating Agency at the time of its issuance, provided that: (a) the agreement is not subordinated to any other obligations of such financial institution; and (b) if the financial institution fails to maintain a rating of AA or better (without regard to gradations), the District shall have the right to demand collateral in the form of securities authorized by paragraphs (i) and (ii) above pledged to secure the investment agreement. Such collateral shall be pledged through the Trust Administrator

and shall have a fair market value (valued at cost) of at least 103% of the value of funds remaining in the investment agreement. Further, the District shall have the right to withdraw all funds without penalty should the financial institution fail to provide collateral as required under this paragraph;

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

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

**“Principal Amount”** means the aggregate authorized principal amount of the Certificate which is \$2,831,000.

**“Principal Component Payment”** means each principal portion of each Installment Payment made pursuant to Section 2.03 hereof.

**“Principal Fund”** means the fund by that name established in Section 5.04 herein.

**“Principal Payment Date”** means June 1 of each year, commencing with June 1, 2018, and ending on June 1, 2057.

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

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

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

**“Rating Agency”** and **“Rating Agencies”** means Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the District to maintain a rating on the Certificates and such Rating Agencies are then maintaining a rating on any of the Certificates.

**“Rating Category”** and **“Rating Categories”** means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

**“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 this Trust Agreement and held by the Trust Administrator.

**“Reserve Installment Payments”** means the amount required to be paid by the District to the Trust Administrator from Net Revenues pursuant to Section 3.11 of the Installment sale Agreement, and which shall be applied to the Reserve Fund as set forth in Sections 6.01 through 6.06 herein.

**“Reserve Requirement”** means, for the purpose of determining the maximum size of the Reserve Fund, 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, New York, New York, or its successors.

**“Short-Lived Assets Reserve Fund”** means the fund by that name established and maintained pursuant to Section 6.07 herein.

**“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 this 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 June 1, 2057, unless sooner terminated pursuant to the terms of the Installment Sale Agreement.

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

**“Trust Agreement”** means this Trust Agreement, dated as of July 1, 2017, by and among the Trust Administrator, the Corporation and the District, together with any amendments or supplements thereto permitted to be made thereunder.

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

**“Wastewater System”** means the whole and each and every part of the wastewater system of the District serving the District and its residents and other customers served thereby, whether within or without the District, for the collection, treatment and delivery of wastewater, including but not limited to all buildings,

facilities, properties, lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

“*Written Certificate*” 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 this Trust Agreement and Section 1.03 of the Installment Sale Agreement.

**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 Series 2017 Certificate of Participation
- Exhibit B: Form of Disbursement Requisition from Certificate Proceeds Fund

**ARTICLE II  
THE CERTIFICATES OF PARTICIPATION**

**Section 2.01. Authorization.** The Trust Administrator is hereby authorized and directed upon written request from either the District or 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.

**Section 2.03. Principal; Interest; Maturity.** The Certificate shall mature on June 1 in the years and in the principal amounts as shown below (each, a "Principal Component Payment"). Interest with respect thereto shall be computed at the Interest Rate of 2.125% per annum, calculated on the basis of a 365-day year. The annual Principal Component Payments are as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Annual Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Annual Interest Rate</u>
06/01/2018		2.125%	06/01/2038		2.125%
06/01/2019		2.125%	06/01/2039		2.125%
06/01/2020		2.125%	06/01/2040		2.125%
06/01/2021		2.125%	06/01/2041		2.125%
06/01/2022		2.125%	06/01/2042		2.125%
06/01/2023		2.125%	06/01/2043		2.125%
06/01/2024		2.125%	06/01/2044		2.125%
06/01/2025		2.125%	06/01/2045		2.125%
06/01/2026		2.125%	06/01/2046		2.125%
06/01/2027		2.125%	06/01/2047		2.125%
06/01/2028		2.125%	06/01/2048		2.125%
06/01/2029		2.125%	06/01/2049		2.125%
06/01/2030		2.125%	06/01/2050		2.125%
06/01/2031		2.125%	06/01/2051		2.125%
06/01/2032		2.125%	06/01/2052		2.125%
06/01/2033		2.125%	06/01/2053		2.125%
06/01/2034		2.125%	06/01/2054		2.125%
06/01/2035		2.125%	06/01/2055		2.125%
06/01/2036		2.125%	06/01/2056		2.125%
06/01/2037		2.125%	06/01/2057		2.125%

**Section 2.04. Interest.** The interest evidenced and represented by the Certificate shall be payable on June 1 and December 1 of each year (each, an "Interest Payment Date"), commencing on December 1, 2017 and continuing to and including the Certificate Maturity Date or upon prepayment prior thereto, and shall evidence and represent the sum of the portions of the Installment Payments designated as interest components (each, an "Interest Component Payment") coming due on the Interest Payment Dates during the interest period immediately preceding each of the Interest Payment Dates. Interest shall accrue with respect to the Original

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Purchaser's aggregate payments for the single Certificate from the respective date(s) of advances thereof, as such payments and dates thereof are endorsed on the single Certificate. Each Interest Component Payment shall be computed by multiplying the unpaid principal amount owing on the Certificate by the Interest Rate, divided by two; and in circumstances involving less than a full one-year period, said interest share shall be calculated on the basis of a 365-day year, 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 November 15, 2017, 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 as specified in Section 2.09 hereof.

**Section 2.05. Form of Certificate; Legends.** The Certificates shall be delivered in the form of a fully registered Certificates, 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 Certificates, 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 2.06. Execution.** The Certificates shall be executed by and in the name of the Trust Administrator, at the written direction of either the District or the Corporation, by the manual signature of an authorized signatory of the Trust Administrator.

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

(a) **Transfer of Certificates.** Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.11 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trust Administrator, duly executed. Whenever any Certificate shall be surrendered for transfer, the Trust Administrator shall deliver a new Certificate or Certificates of the

same maturity, interest rate and aggregate principal amount in authorized denominations to the transferee thereof. The Trust Administrator may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

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

**Section 2.08. Certificate Mutilated, Lost, Destroyed or Stolen.** If any Certificate 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 2.08, in lieu of delivering a new Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trust Administrator may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trust Administrator.

**Section 2.09. Payment.** Except as otherwise provided herein, payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the 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 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, and payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Interest Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process

(i.e., the District's payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled "Authorization Agreement for Pre-Authorized Payments").

**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 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 CERTIFICATE PROCEEDS

**Section 3.01. Certificate Proceeds Fund.** The Trust Administrator shall establish the Certificate Proceeds Fund and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator; and shall administer such fund and account as provided herein.

**Section 3.02. Payment of Project Costs.**

(a) Except as provided in Section 3.03, amounts in the Certificate Proceeds Fund shall be disbursed for Project Costs in accordance with the Refunding Instructions.

(b) The Trust Administrator shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Certificate Proceeds Fund and the payment thereof in accordance with this Section 3.02 and Section 3.03.

**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 moneys in the Certificate Proceeds Fund to pay the Delivery Costs only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, signed by a District Representative (and, if required, by the Government as the Certificate Owner) setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Certificate Proceeds Fund as Delivery Costs.

**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 payment of Project Costs or other capital improvements (the "Unexpended Proceeds") shall, on the date of completion of the Project or as soon thereafter as the Trust Administrator is so notified, be transferred to the Installment Payment Fund and applied to the payment 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.

**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 inverse order of maturity, unless otherwise requested by District and agreed to by Original Purchaser in its reasonable discretion. The Trust Administrator shall promptly notify the District and the Corporation in writing of the Certificates so selected for prepayment, and the District or the Corporation shall immediately thereafter revise Exhibit B of the Installment Sale Agreement to reflect such prepayment and shall be and become for all purposes thereafter the "Amended Exhibit B to the Installment Sale Agreement."

**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 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 unprepaid principal. All Certificates which have been prepaid shall be canceled by the Trust Administrator, shall not be reissued and shall be destroyed pursuant to Section 14.07. 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 any 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.

**Section 4.04. Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trust Administrator shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

**Section 4.05. Effect of Notice of Prepayment.** After notice has been given and the moneys for the prepayment, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificate to be redeemed shall become due and payable on the Interest Payment Date, and, upon presentation and surrender thereof at the 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.

**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, any Prepayment 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, any Prepayment and such other amounts which the Corporation may at any time be entitled, 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, Reserve Installment Payments and Prepayments received by the Trust Administrator, including any moneys received by the Trust Administrator for deposit therein pursuant to Sections 4.01, 5.05, 6.02, 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 in the Installment Payment Fund.** All amounts in the Installment Payment Fund shall be used and withdrawn by the Trust Administrator for deposit in the following respective funds (each of which is hereby created and each of which the Trust Administrator or the District hereby covenants and agrees to cause to be maintained so long as any Certificates are Outstanding) at the following times and in the following order of priority (the Trust Administrator shall not withdraw from the Installment Payment Fund an amount in excess of the debt service scheduled to be paid by the Installment Payments deposited therein) and the moneys in each of such funds shall be applied, used and withdrawn only for the purposes and uses hereinafter authorized.

(a) **Interest Fund.** The Trust Administrator shall transfer from the Installment Payment Fund and deposit in the Interest Fund for receipt before June 1 and December 1 of each year, beginning December 1, 2017, an amount of money from the Installment Payment Fund which is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Certificates on such Interest Payment Date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the amount of the interest becoming due and payable on all Outstanding Certificates on such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Trust Administrator solely for the purpose of paying the interest on the Outstanding Certificates; provided that any earnings on deposit in the Interest Fund after payment of interest on Certificates on an Interest Payment Date shall be transferred to the Installment Payment Fund.

(b) **Principal Fund.** The Trust Administrator shall deposit in the Principal Fund before June 1 of each year, an amount of money from the Installment Payment Fund equal to the Principal Component Payment payable on such Principal Payment Date. All money in the Principal Fund shall be used by the Trust Administrator to pay or purchase the Certificates in accordance with Article IV hereof; provided that any earnings on deposit in the Principal Fund after payment of Principal Component Payment of the Certificates on a Principal Payment Date shall be transferred to the Installment Payment Fund.

(c) **Reserve Fund.** 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 in Article IV herein.

(d) **Short-Lived Assets Reserve Fund.** All moneys at any time on deposit in the Short-Lived Assets Reserve Fund shall be held by the Trust Administrator, and applied solely as provided in Article VI herein.

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

**ARTICLE VI  
RESERVE FUNDS**

**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 in the Reserve Fund the amounts specified in Section 3.11 of the Installment Sale Agreement.

**Section 6.03. Transfers.** The Trust Administrator shall, on or before each June 1 and December 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.

**Section 6.07. Establishment and Application of Short-Lived Assets Reserve Fund.** The Trust Administrator shall establish and maintain a separate "Short-Lived Assets Reserve Fund" as a special reserve fund for repair and/or replacement of short-lived assets of the Wastewater System, and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator.

In accordance with Section 3.12 of the Installment Sale Agreement, the Trust Administrator shall deposit an initial amount of \$29,796 into the Short-Lived Assets Reserve Fund on or before the Closing Date, and shall annually thereafter deposit \$ \_\_\_\_\_ into the Short-Lived Assets Reserve Fund by not later than June 30 of each year, starting with fiscal year ending June 30, 2018, and continuing for as long as any of the Certificates remain outstanding.

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

Notwithstanding the foregoing, before each June 30 the District shall evaluate the status and condition of short-lived assets of the Wastewater System and, if such evaluation suggests that a lesser or greater deposit is required in order to provide for the timely replacement of any short-lived assets, the District may upon consultation by the District with the Government decrease the amount of the annual deposit into the Short-Lived Assets Reserve Fund if a lesser amount is indicated, but shall increase the amount of the annual deposit in to the Short-Lived Assets Reserve Fund if a greater amount is indicated.

Upon the redemption in full of all outstanding Certificates, the District shall close the Short-Lived Assets Reserve Fund and the balance therein shall be released to the District and used for any legally permissible purpose of the Wastewater System.

## **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 Project 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 Certificate Proceeds 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 (vi) 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. 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 Certificate Proceeds Fund and Installment Payment Fund shall, as received, be retained in the applicable 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 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, the 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.

**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, certificate, 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 this 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 Trust Administrator.** 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 Trust Administrator hereunder (the "Trust Administrator") 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 Trust Administrator 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 Trust Administrator.

## 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 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 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 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 Wastewater System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District with respect to the Wastewater System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

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

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

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

**Section 11.07. Private Activity Certificate 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.

**Section 11.12. Small Issuer Exemption from Bank Nondeductibility Restriction.** The District and Corporation hereby designate the Installment Sale Agreement and Certificates for purposes of paragraph (3) of section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Code, except certain qualified 501(c)(3) bonds as defined in section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Installment Sale Agreement, has been or will be issued by the District and Corporation, including all subordinate entities of the District, during the calendar year 2017.

**Section 11.13. Graduation.** The District covenants to use best efforts to refinance the unpaid balance of the Certificates, in whole or in part, upon the written request of the Government, if at any time it shall appear to the Government that the District is able to refinance the Certificates for savings 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)).

## 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 Trust Administrator 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 Trust Administrator 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 and Construction, installation and equipping of the Project or the authorization of payment of Project 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. Defeasance.** 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.

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

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

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

If to the District:	Clearlake Oaks County Water District 12952 East Highway 20 Clearlake Oaks, CA 95423 Attention: General Manager
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, CA 91361 Attention: Secretary/Treasurer
If to the Trust Administrator:	General Manager Clearlake Oaks County Water District 12952 East Highway 20 Clearlake Oaks, CA 95423 Attention: General Manager
If to the Government:	Rural Development, United States Department of Agriculture 777 Sonoma Ave "E" St Annex Santa Rosa, CA 95404 Attention: Area Specialist

And

Rural Development, United States  
Department of Agriculture  
430 G Street  
Suite 4169  
Davis, CA 95616  
Attention: Community Programs Specialist

**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. 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 14.07. 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 14.08. Limitation of Rights to Parties and Certificate Owners.** Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the District, the Trust Administrator and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the District, the Trust Administrator and the Owners of the Certificates delivered hereunder.

**Section 14.09. 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 14.10. 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 must be made on the previous Business Day.

**Section 14.11. 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 Trust Administrator of such money.

**Section 14.12. Separability 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.

**Section 14.13. 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.

\*\*\*\*\*

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

GENERAL MANAGER OF THE CLEARLAKE OAKS  
COUNTY WATER DISTRICT  
*as Trust Administrator*

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

PUBLIC PROPERTY FINANCING CORPORATION  
OF CALIFORNIA

By \_\_\_\_\_  
President

CLEARLAKE OAKS COUNTY WATER DISTRICT

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

Attest

By \_\_\_\_\_  
Secretary

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**EXHIBIT A**

**FORM OF CERTIFICATE OF PARTICIPATION**

No. R-1

\*\*\*\$2,831,000\*\*\*

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA**

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
(County of Lake, California)  
SERIES 2017 CERTIFICATE OF PARTICIPATION  
(Wastewater System Improvement Project)  
BANK QUALIFIED**

<b>INTEREST PAYMENT DATES</b>	<b>RATE OF INTEREST</b>	<b>DATED DATE</b>
<b>June 1 and December 1 as described below</b>	<b>2.125%</b>	<b>July __, 2017</b>

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

**PRINCIPAL AMOUNT:**

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Series 2017 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 July 1, 2017 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California (the "Corporation"), and the CLEARLAKE OAKS COUNTY WATER DISTRICT (the "District"), a county water district and public agency duly organized and validly 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 General 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 Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the Principal Amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

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<u>Maturity Date</u>	<u>Principal</u>	<u>Annual Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Annual Interest Rate</u>
06/01/2018		2.125%	06/01/2038		2.125%
06/01/2019		2.125%	06/01/2039		2.125%
06/01/2020		2.125%	06/01/2040		2.125%
06/01/2021		2.125%	06/01/2041		2.125%
06/01/2022		2.125%	06/01/2042		2.125%
06/01/2023		2.125%	06/01/2043		2.125%
06/01/2024		2.125%	06/01/2044		2.125%
06/01/2025		2.125%	06/01/2045		2.125%
06/01/2026		2.125%	06/01/2046		2.125%
06/01/2027		2.125%	06/01/2047		2.125%
06/01/2028		2.125%	06/01/2048		2.125%
06/01/2029		2.125%	06/01/2049		2.125%
06/01/2030		2.125%	06/01/2050		2.125%
06/01/2031		2.125%	06/01/2051		2.125%
06/01/2032		2.125%	06/01/2052		2.125%
06/01/2033		2.125%	06/01/2053		2.125%
06/01/2034		2.125%	06/01/2054		2.125%
06/01/2035		2.125%	06/01/2055		2.125%
06/01/2036		2.125%	06/01/2056		2.125%
06/01/2037		2.125%	06/01/2057		2.125%

and to receive on December 1, 2017, and semiannually thereafter on June 1 and December 1 of each year (each an "Interest Payment Date") until payment in full of said principal the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of Interest from the Dated Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above, calculated on the basis of a 365-day year, actual days elapsed.

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 Certificate Register of the Trust Administrator as of the preceding Record Date; *provided, however*, that so long as the United States of America remains the Registered Owner of the Certificates, payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the District's payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled "Authorization Agreement for Pre-Authorized Payments").

lol

This Certificate has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Corporation and the District, dated as of July 1, 2017 (the "Trust Agreement"). The District has certified that it is authorized to enter into the Installment Sale Agreement and this Trust Agreement under the laws of the State of California, for the purpose of paying 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 by the District and represents the \$2,831,000 Series 2017 Certificates of Participation (Wastewater System Improvement Project), Bank Qualified, all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement.

This Certificate is transferable only to a Qualified Institutional Buyer (as such term is defined by Rule 144A of the Securities Act of 1933) or other persons with the consent of the District and the Corporation, by the Registered Owner thereof in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in the form appearing hereon. Upon such transfer, a new Certificate or Certificates of the same Maturity Date representing the same principal amount will be issued to the transferee in exchange herefor.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Trust Agreement) and any Parity Debt (as such term is defined in the Trust Agreement) issued or incurred within the meaning of the Trust Agreement.

The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

This Certificate is subject to optional prepayment in whole, or in part among maturities in any manner as directed by the District and by lot within a maturity, on any Business Day, from prepayments of the Installment Payments made at the option of the District pursuant to the Installment Sale Agreement, at a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

This Certificate is subject to mandatory prepayment on any date, in whole, or in part, from unexpended proceeds of the Certificate Proceeds Fund established under this Trust Agreement and from the net proceeds of insurance or eminent domain proceedings, in either case deposited with the Trust

Administrator, which are credited towards the prepayment of the Installment Payments pursuant to the Installment Sale Agreement, at a prepayment price equal to one hundred percent (100%) of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

As provided in this 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 this Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The District has designated its obligations under the Installment Sale Agreement represented by this Certificate to be a "qualified tax-exempt obligation" under Section 265(b)(3) of the Internal Revenue Code of 1986.

This Certificate is transferable by the Registered Owner hereof, in person or by his or her attorney duly authorized in writing, at the Trust Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in this 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 this Trust Agreement, the provisions of this 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 this Trust Agreement and to perform the other duties expressly imposed upon it under this 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 this 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.

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

IN WITNESS WHEREOF, the Clearlake Oaks County Water District has caused this Certificate to be executed in its name and on its behalf with the manual or facsimile signature of its General Manager and attested to by the manual or facsimile signature of its Secretary, all as of July \_\_, 2017.

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Alan Gardner, General Manager

Attest:

By: \_\_\_\_\_  
Secretary

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

AUTHENTICATED, EXECUTED AND DELIVERED, as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: \_\_\_\_\_  
Alan Gardner, General Manager  
Clearlake Oaks County Water District

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## ABBREVIATIONS

The following abbreviations, when used in the inscription on the face hereof, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT \_\_\_\_ Custodian

TEN ENT -- as tenants by the  
Entireties

(Cust) \_\_\_\_ (Minor) \_\_\_\_  
under Uniform Gifts to Minors

JT TEN -- as joint tenants with  
\_\_\_\_ right of survivorship  
\_\_\_\_ and not as tenants in  
\_\_\_\_ common

Act \_\_\_\_\_  
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED  
THOUGH NOT IN THE LIST ABOVE

## 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

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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>
07/ __ /2017	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____
__ / __ /20__	\$ _____	_____

Total principal sum of the within Certificate as advanced as of July \_\_, 2017 is \$\_\_\_\_\_.

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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>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

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**EXHIBIT B**

**\$2,831,000**

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
(COUNTY OF LAKE, CALIFORNIA)  
SERIES 2017 CERTIFICATES OF PARTICIPATION  
(WASTEWATER SYSTEM IMPROVEMENT PROJECT)  
BANK QUALIFIED**

**WRITTEN REQUISITION NO. \_\_ FOR  
DISBURSEMENT FROM CERTIFICATE PROCEEDS FUND**

The undersigned hereby states and certifies that:

1. the undersigned is the duly appointed, qualified and acting General Manager of the Clearlake Oaks County Water District, a county water district and public agency duly organized and validly existing under the laws of the State of California (the "District"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. the undersigned is a duly designated "District Representative," as such term is defined in that certain Trust Agreement, dated as of July 1, 2017 (the "Trust Agreement"), by and among the General Manager of the Clearlake Oaks County Water District, as trust administrator (the "Trust Administrator"), the Public Property Financing Corporation of California (the "Corporation"), and the District;

3. pursuant to the Trust Agreement, the Trust Administrator is hereby requested to disburse this date, from the Certificate Proceeds Fund established under this Trust Agreement, to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, at the addresses identified thereon, the amount set forth opposite such payee for payment of Project or Delivery Costs;

4. the amounts to be disbursed constitute Project or Delivery Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Corporation or the District, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

5. no amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the Trust Administrator pursuant to the Trust Agreement;

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

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

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

Dated: \_\_\_\_\_, 2017

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_

Title: \_\_\_\_\_

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ATTACHMENT I

Payee Name and Address

Purpose of Obligation

Amount

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**INSTALLMENT SALE AGREEMENT**

**Dated as of July 1, 2017**

**by and between the**

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

**and the**

**CLEARLAKE OAKS COUNTY WATER DISTRICT,  
as Purchaser**

**Relating to**

**\$2,831,000  
CLEARLAKE OAKS COUNTY WATER DISTRICT  
(Lake County, California)  
SERIES 2017 CERTIFICATES OF PARTICIPATION  
(Wastewater System Improvement Project)  
BANK QUALIFIED**

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## INSTALLMENT SALE AGREEMENT

**THIS INSTALLMENT SALE AGREEMENT**, dated as of July 1, 2017, by and between the **PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**, a non-profit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California, as seller (the "Corporation"), and the **CLEARLAKE OAKS COUNTY WATER DISTRICT**, a county water district and public agency duly organized and validly existing under the constitution and laws of the State of California, as purchaser (the "District");

### *WITNESSETH:*

**WHEREAS**, the District received a Letter of Conditions dated June 11, 2015, as amended (the "Letter of Conditions"), from the United States Department of Agriculture, Rural Utilities Service (the "USDA") establishing certain conditions under which the USDA would loan and grant money to the District to finance the certain repairs and improvements to its wastewater system (the "Wastewater System"), as more particularly described in Exhibit A hereto (the "Project"); and

**WHEREAS**, the District wishes to finance the acquisition and construction of the Project through the issuance of its Clearlake Oaks County Water District, Series 2017 Certificates of Participation (Wastewater System Improvement Project), in the aggregate principal amount of \$2,831,000 (the "Certificates"), pursuant to the terms and conditions of a Trust Agreement by and among the Corporation, the District and the General Manager of the District, as the trust administrator named therein (the "Trust Agreement"); and

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

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

**WHEREAS**, the Corporation will assign its right to receive Installment Payments to the General Manager of the Clearlake Oaks County Water District, as trust administrator, pursuant to an Assignment Agreement, dated as of July 1, 2017 (the "Assignment Agreement") for the benefit of the Owners (as defined herein) of the Certificates;

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Installment Sale Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Sale Agreement; 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 the Trust Agreement, dated as of July 1, 2017, by and among the General Manager of the Clearlake Oaks County Water 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) The Project has not been the subject of a previous conveyance by the District.
- (f) The District has not issued or incurred any obligations which are currently 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; CONSTRUCTION

**Section 2.01. Deposit of Moneys.** The Corporation shall cause to be deposited with the Trust Administrator, the amounts derived, from time to time, as advances of the proceeds of the Certificates (to be an aggregate of \$2,831,000) in the funds as provided in the Trust Agreement.

**Section 2.02. Payment of Project Costs and Delivery Costs.** Payment of the Project Costs and Delivery Costs shall be made from the moneys deposited with the Trust Administrator in the Certificate Proceeds Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Sections 3.02 and 3.03, respectively, of the Trust Agreement. The District hereby covenants to pay necessary Project Costs and Delivery Costs in excess of amounts available from Certificates proceeds from any legally available source of funds.

**Section 2.03. Unexpended Proceeds.** In accordance with Section 3.04 of the Trust Agreement, all excess moneys remaining in the Certificate Proceeds Fund and not required for payment of Project Costs shall be transferred to the Installment Payment Fund and applied to the prepayment of Certificates.

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

## ARTICLE III

### PROJECT SALE AND TITLE; INSTALLMENT PAYMENTS; NET REVENUES

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

**Section 3.02. Title.** The District and the Corporation agree that title to the Project, and each component thereof, shall be deemed conveyed to and vested in the District upon the completion of the acquisition, construction and installation thereof. The Corporation and its officers shall take all actions necessary to vest in the District all of the Corporation's rights in and title to the Project.

**Section 3.03. Assignment by the Corporation.** The Corporation's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the District under this Installment Sale Agreement, have been assigned to the Trust Administrator, subject to certain exceptions, pursuant to the 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 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 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; provided that the amount of the respective Installment Payments shall remain subject to modification to reflect the facts that (a) the corresponding proceeds received from the Government on account of the sequential purchase of the Certificates will be received in installments, with the result that interest installments of the Installment Payments will be less than shown in Exhibit B for the period during which such proceeds are being received from the Government, and (b) the aggregate principal amount of the proceeds received from the United States of America may ultimately be less than the \$2,831,000 Principal Amount of the Certificates, in which case both the principal installments and the interest installments shown in Exhibit B will be modified to correspond to the actual aggregate principal amount received. The 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 inverse order of maturity, unless otherwise requested by District and agreed to by Original Purchaser in its reasonable discretion, 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 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 transfers described in paragraph (b) of this Section 3.07 with respect to Net Revenues allocable to such Fiscal Year in excess of amounts required for the payment of Certificates and Parity Debt, if any issued or incurred in accordance with Section 3.09(b), and for the replenishment of the Reserve Fund in such 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.** The District hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Wastewater System which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues 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 6.06 of the Trust Agreement.

**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 superior to 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 the terms of 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 Wastewater System 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 Wastewater System 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 Wastewater System 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 Original Purchaser shall have been obtained.

**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 Certificate Proceeds 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 for deposit in the Reserve Fund (a) on each Installment Payment Date, and for the Term of the Installment Sale Agreement, an amount equal to one-twentieth (1/20th) of the average annual debt service on the Certificates, 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 6.06 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 any further interest earnings on the Reserve Fund shall be allocated under Section 8.03 of the Trust Agreement.

**Section 3.12. Payments to Short-Lived Assets Reserve Fund.** In addition to the Installment Payments, the District shall pay to the Trust Administrator from Net Revenues an initial amount of \$29,796 into the Short-Lived Assets Reserve Fund on or before the Closing Date, and shall annually thereafter deposit \$ \_\_\_\_ into the Short-Lived Assets Reserve Fund by not later than June 30 of each year, starting with fiscal year ending June 30, 2018, and continuing for as long as any of the Certificates remain outstanding.

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

Notwithstanding the foregoing, before each June 30 the District shall evaluate the status and condition of short-lived assets of the Wastewater System and, if such evaluation suggests that a lesser or greater deposit is required in order to provide for the timely replacement of any short-lived assets, the District may upon consultation by the District with the Government decrease the amount of the annual deposit into the Short-Lived Assets Reserve Fund if a lesser amount is indicated, but shall increase the amount of the annual deposit in to the Short-Lived Assets Reserve Fund if a greater amount is indicated.

## 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 sixty (60) 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 District or Corporation shall revise the Exhibit B Schedule of Installment Payments, which schedule shall take into account such prepayment and shall be and become for all purposes thereafter the "Amended Exhibit B to the Installment Sale Agreement."

**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 Certificate Proceeds Fund and not required for payment of Project or Delivery 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 Certificate Proceeds 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.

## ARTICLE V

### MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

#### Section 5.01. Maintenance, Taxes and Assessments, Contests.

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

(b) **Taxes and Assessments.** The District shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or the District or levied, assessed or charged against the Wastewater System or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due.

(c) **Contest.** The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments and charges and, in the event of any such contest, may permit the taxes, assessments or 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, 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 Wastewater System (but only if such insurance is available at reasonable cost on the open market from reputable insurance companies). Such policy or policies shall afford protection in such amounts, with such deductibles,

as are usually covered in connection with operations similar to the Wastewater System. 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 above-ground structures, including District-owned equipment and machinery housed therein, constituting any part of the Wastewater System by fire and lightning, with extended coverage insurance but not including earthquake insurance. Such insurance need not include reservoirs, standpipes and elevated tanks. Such insurance shall be in an amount which is not less than 100% of the replacement cost of the Project. 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

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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 Project 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 Certificate Owners to Exercise Rights.** Such rights and remedies as are given to the Corporation under this Article VII have been assigned by the Corporation to the Trust Administrator under the 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, 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 and to the payment of amounts due with respect to Parity Debt, then 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 Wastewater System may not be sold by the District during the Term of this Installment Sale Agreement.

(b) **Lease.** The District may lease the Project, or any portion thereof, with the consent of the Owner of the 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 income taxes 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 X 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:

If to the District: Clearlake Oaks County Water District  
12952 East Highway 20  
Clearlake Oaks, CA 95423  
Attention: General Manager

If to the Corporation: Public Property Financing Corporation of California  
2945 Townsgate Road, Suite 200  
Westlake Village, CA 91361  
Attention: Secretary/Treasurer

If to the Trust Administrator: General Manager  
12952 East Highway 20  
Clearlake Oaks, CA 95423  
Attention: General Manager

If to the Government: Rural Development, United States  
Department of Agriculture  
777 Sonoma Ave "E" St Annex  
Santa Rosa, CA 95404  
Attention: Area Specialist

And

Rural Development, United States  
Department of Agriculture  
430 G Street  
Suite 4169  
Davis, CA 95616  
Attention: Community Programs Specialist

The Corporation, the District, the Trust Administrator and the Government, by notice given hereunder, may designate different addresses to which subsequent notices, Written 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.

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

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA, *as Seller*

By \_\_\_\_\_  
President

CLEARLAKE OAKS COUNTY WATER  
DISTRICT, *as Purchaser*

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

Attest

By \_\_\_\_\_  
Secretary

## EXHIBIT A

### DESCRIPTION OF THE PROJECT

The Project to be acquired and constructed with the proceeds of the Certificates, is general described as follows:

The acquisition and improvements to the Wastewater System, including rehabilitation and repair of pump stations and lift stations, new isolation gate, new manhole flow meters, new aerator brushes, oxidation ditch upgrades, new secondary clarifier, new return activated sludge pump station, new sludge drying bed and drain improvements, new SCADA system, electrical, control, and instrumentation improvements, as well as any necessary lands, rights of way and other real or personal property useful in connection therewith, together with all additions, extensions, expansions, improvements and betterments thereto and equipments thereof, together with such other or additional Wastewater System improvements as may be agreed to between the Government and the District, all as more specifically described in the Preliminary Engineering Report prepared by or on behalf of the District, as submitted to the Government in connection with the application of the District to Government for the financing of a portion of the cost and expense of said improvements, subject to such modifications to the subject improvement project as may be approved by Government during the course of construction.

**EXHIBIT B**

**SCHEDULE OF INSTALLMENT PAYMENTS**

Installment Payment Date	Principal	Interest Rate	Interest	Installment Payments
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Totals	\$2,831,000
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**ASSIGNMENT AGREEMENT**

**Dated as of July 1, 2017**

**by and between the**

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

**and the**

**GENERAL MANAGER OF THE CLEARLAKE OAKS COUNTY WATER DISTRICT,  
as Trust Administrator**

**Relating to the**

**\$2,831,000  
CLEARLAKE OAKS COUNTY WATER DISTRICT  
(County of Lake, California)  
SERIES 2017 CERTIFICATES OF PARTICIPATION  
(Wastewater System Improvement Project)  
BANK QUALIFIED**

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## ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT, made and entered into as of July 1, 2017, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California, as assignor (the "Corporation"), and the GENERAL MANAGER OF THE CLEARLAKE OAKS COUNTY WATER DISTRICT, as trust administrator (the "Trust Administrator") under the hereinafter-defined Trust Agreement;

### *WITNESSETH:*

WHEREAS, the Corporation and the Clearlake Oaks County Water District (the "District"), have entered into an installment sale agreement, by and between the Corporation and the District, dated as of July 1, 2017 (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; and

WHEREAS, 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 by and among the Trust Administrator, the Corporation and the District, dated as of July 1, 2017, together with any amendments or supplements thereto (the "Trust Agreement"); and

WHEREAS, 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 Clearlake Oaks County Water District, Series 2017 Certificates of Participation to be executed and delivered under the Trust Agreement (the "Certificates"), and in consideration of such assignment, the Trust Administrator is executing and delivering the Certificates to the Government as the purchaser 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; and

WHEREAS, 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; and

WHEREAS, the capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement;

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

**Section 1. 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 the 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 2. 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 3. Conditions.** This Assignment Agreement shall confer no rights and impose no duties upon the Trust Administrator beyond those expressly provided in the Trust Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Assignment Agreement by their officers thereunto duly authorized as of the date in the first paragraph above.

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA,  
*as Assignor*

By: \_\_\_\_\_  
President

GENERAL MANAGER OF THE CLEARLAKE  
OAKS COUNTY WATER DISTRICT,  
*as Trust Administrator*

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

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**UNITED STATES DEPARTMENT OF AGRICULTURE**

**RURAL DEVELOPMENT**

**RURAL UTILITY SERVICE**

**OFFER**

Subject to the Certificate Specifications attached hereto as Exhibit A, the General Conditions attached hereto as Exhibit B, the Special Conditions attached hereto as Exhibit C, and the adoption of Form RD 1780-27, "Loan Resolution," the United States of America, hereinafter referred to as "the Government," hereby offers to make a loan in the sum of \$2,831,000 to the Clearlake Oaks County Water District, in Lake County, in the state of California (hereinafter called "Agency") in order to aid in the construction of the new Wastewater Facilities Project.

The loan herein provided for shall be made by purchase at par value of the Certificates in the sum of \$2,831,000 and bearing interest at the rate of 2.125% per annum. In the event any other bidder offers to purchase any of the issue at a net interest rate of not more than 2.125% per annum, that portion of the issue will not be purchased by the Government, and it will purchase the balance of said issue. In such event, it is understood that the obligations of the Agency set forth in the Installment Sale Agreement and Trust Agreement would apply as fully and to the same extent as if the entire issue were sold to the Government. In the event that no bid is received from any bidders within the terms herein specified, the entire issue will be purchased by the Government, subject to the conditions aforesaid.

Upon acceptance, this offer, together with all of the Exhibits attached hereto and Form RD 1780-27, "Loan Resolution," shall become the Agreement.

This offer must be accepted within 60 days from the date hereof.

Dated this \_\_\_th day of \_\_\_\_\_, 2017.

**UNITED STATES OF AMERICA**

by: \_\_\_\_\_  
Acting Community Programs Director  
USDA Rural Development  
for the Rural Utility Service

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**EXHIBIT A**

**FORM OF CERTIFICATE OF PARTICIPATION**

No. R-1

\*\*\*\$[Par Amount]\*\*\*

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA**

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
(County of Lake, California)  
SERIES 2017 CERTIFICATE OF PARTICIPATION  
(Wastewater System Improvement Project)  
BANK QUALIFIED**

<b>INTEREST PAYMENT DATES</b>	<b>RATE OF INTEREST</b>	<b>DATED DATE</b>
<b>June 1 and December 1 as described below</b>	<b>2.125%</b>	<b>July __, 2017</b>

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

**PRINCIPAL AMOUNT:**

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Series 2017 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 July 1, 2017 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California (the "Corporation"), and the CLEARLAKE OAKS COUNTY WATER DISTRICT (the "District"), a county water district and public agency duly organized and validly 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 General 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 Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the Principal Amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

<b>Maturity</b>		<b>Annual</b>	<b>Maturity</b>		<b>Annual</b>
<b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>	<b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>

and to receive on December 1, 2017, and semiannually thereafter on June 1 and December 1 of each year (each an "Interest Payment Date") until payment in full of said principal the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of Interest from the Dated Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above, calculated on the basis of a 365-day year.

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 Certificate Register of the Trust Administrator as of the preceding Record Date; *provided, however*, that so long as the United States of America remains the Registered Owner of the Certificates, payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the District's payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled "Authorization Agreement for Pre-Authorized Payments").

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This Certificate has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Corporation and the District, dated as of July 1, 2017 (the "Trust Agreement"). The District has certified that it is authorized to enter into the Installment Sale Agreement and this Trust Agreement under the laws of the State of California, for the purpose of paying 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 by the District and represents the \$2,831,000 Series 2017 Certificates of Participation (Wastewater System Improvement Project), Bank Qualified, all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement.

This Certificate is transferable only to a Qualified Institutional Buyer (as such term is defined by Rule 144A of the Securities Act of 1933) or other persons with the consent of the District and the Corporation, by the Registered Owner thereof in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in the form appearing hereon. Upon such transfer, a new Certificate or Certificates of the same Maturity Date representing the same principal amount will be issued to the transferee in exchange herefor.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Trust Agreement) and any Parity Debt (as such term is defined in the Trust Agreement) issued or incurred within the meaning of the Trust Agreement.

The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

This Certificate is subject to optional prepayment in whole, or in part among maturities in any manner as directed by the District and by lot within a maturity, on any Business Day, from prepayments of the Installment Payments made at the option of the District pursuant to the Installment Sale Agreement, at a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

This Certificate is subject to mandatory prepayment on any date, in whole, or in part, from unexpended proceeds of the Certificate Proceeds Fund established under this Trust Agreement and from the net proceeds of insurance or eminent domain proceedings, in either case deposited with the Trust

Administrator, which are credited towards the prepayment of the Installment Payments pursuant to the Installment Sale Agreement, at a prepayment price equal to one hundred percent (100%) of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

As provided in this 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 this Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The District has designated its obligations under the Installment Sale Agreement represented by this Certificate to be a "qualified tax-exempt obligation" under Section 265(b)(3) of the Internal Revenue Code of 1986.

This Certificate is transferable by the Registered Owner hereof, in person or by his or her attorney duly authorized in writing, at the Trust Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in this 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 this Trust Agreement, the provisions of this 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 this Trust Agreement and to perform the other duties expressly imposed upon it under this 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 this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law.

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

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

AUTHENTICATED, EXECUTED AND DELIVERED, as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: \_\_\_\_\_  
General Manager,  
Clearlake Oaks County Water District

**ABBREVIATIONS**

The following abbreviations, when used in the inscription on the face hereof, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT \_\_\_\_ Custodian

TEN ENT -- as tenants by the Entireties

(Cust) \_\_\_\_ (Minor) \_\_\_\_  
under Uniform Gifts to Minors

JT TEN -- as joint tenants with \_\_\_\_ right of survivorship  
\_\_\_\_ and not as tenants in \_\_\_\_ common

Act \_\_\_\_\_  
(State)

**ADDITIONAL ABBREVIATIONS MAY ALSO BE USED  
THOUGH NOT IN THE LIST ABOVE**

**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

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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>
07/__/2017	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____

Total principal sum of the within Certificate as advanced as of July \_\_, 2017 is \$\_\_\_\_\_.

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

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

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

**EXHIBIT B**

**Clearlake Oaks County Water District**

**2017 Certificate of Participation**

**GENERAL CONDITIONS**

**(To Come)**

**EXHIBIT C**

**Clearlake Oaks County Water District**

**2017 Certificate of Participation**

**SPECIAL CONDITIONS**

**(To Come)**

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
RESOLUTION NO. 17-17**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CLEARLAKE OAKS  
COUNTY WATER DISTRICT APPROVING THE CLEARLAKE OAKS COUNTY WATER  
DISTRICT DEBT MANAGEMENT POLICY AND POST-ISSUANCE TAX COMPLIANCE  
POLICY**

**WHEREAS**, the Board of Directors (the “Board”) of the Clearlake Oaks County Water District (the “District”) recognizes that cost-effective access to the capital markets depends on prudent management of the District’s debt program, as well as the ongoing compliance with applicable federal tax and arbitrage rules; and

**WHEREAS**, SB 1029 (amending Government Code section 8855) has been signed into law and imposes a new requirement on local government agencies who will issue debt in 2017 and thereafter; and

**WHEREAS**, Government Code section 8855(i) requires any issuer of public debt to provide to California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance (the “Report of Proposed Debt Issuance”), and must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies (the “CDIAC Requirements”); and

**WHEREAS**, the District, and possibly other agencies controlled by the District, expect to be an issuer of new debt in 2017 and thereafter within the meaning of SB 1029 and the CDIAC Requirements; and

**WHEREAS**, the Board wishes to set parameters for issuing debt, managing the debt portfolio, tax rule compliance, and providing corresponding guidance to decision makers; and

**WHEREAS**, the Board hereby finds and determines that adoption of the attached Debt Management Policy (the “Debt Management Policy”) will help ensure that debt is issued and managed prudently in order to maintain sound fiscal policy, and is intended to also satisfy the requirements of SB 1029 and the CDIAC Requirements; and

**WHEREAS**, the Board hereby finds and determines that adoption of the attached Post-Issuance Tax Compliance Policy (the “Post-Issuance Tax Compliance Policy”) will assist the District in its ongoing obligation to remain compliant with federal tax rules pertaining to the expenditure of tax-exempt bond proceeds, use of tax-exempt bond financed property, investment of tax-exempt bond proceeds, and retention of applicable records; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Clearlake Oaks County Water District hereby orders and determines as follows:

**Section 1. Recitals.** The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct and are hereby incorporated in conjunction with the respective staff report.

**Section 2. Approval of the Debt Management Policy.** The form of the Debt Management Policy attached hereto as Exhibit A is hereby approved, and General Manager, on behalf of the District, is hereby authorized and directed to make such changes thereto as are necessary in order to conform the same to actual or recommended District practices, to correct typographical or grammatical errors, to cure ambiguities and inconsistencies, and to conform to applicable law as advised by Bond Counsel or the District Counsel, and to execute the final form of the Post-Issuance Tax Compliance Policy on behalf of the District, and the execution thereof by the General Manager shall be conclusive evidence of the approval of any such additions and changes.

**Section 3. Post-Issuance Tax Compliance Policy.** The form of the Post-Issuance Tax Compliance Policy attached hereto as Exhibit B is hereby approved, and General Manager, on behalf of the District, is hereby authorized and directed to make such changes thereto as are necessary in order to conform the same to actual or recommended District practices, to correct typographical or grammatical errors, to cure ambiguities and inconsistencies, and to conform to applicable law as advised by Bond Counsel or the District Counsel, and to execute the final form of the Post-Issuance Tax Compliance Policy on behalf of the District, and the execution thereof by the General Manager shall be conclusive evidence of the approval of any such additions and changes.

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

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting thereof held on the 27th day of June, 2017 by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Margaret Medeiros, Board President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

**EXHIBIT A**  
**DEBT MANAGEMENT POLICY**  
**CLEARLAKE OAKS COUNTY WATER DISTRICT**

**DATED: June 27, 2017**

This Debt Management Policy (the “Debt Policy”) establishes the parameters within which debt may be issued and administered by the Clearlake Oaks County Water District (the “District”). Additionally, these policies apply to debt issued by the District on behalf of assessment districts, community facilities districts, or other special districts, and other types of conduit-type financings.

**1. Purpose**

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 2017, and shall govern all debt undertaken by the District. The District hereby recognize that a fiscally prudent debt policy is required in order to:

- Maintain the District’s sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the District’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District’s debt is consistent with their planning goals and objectives and capital improvement program or budget, as applicable.

**2. Scope**

The guidelines established by this policy will govern the issuance and management of all debt funded for long-term capital financing needs and not for general operating functions. When used in this policy, “debt” refers to all forms of indebtedness and financing lease obligations. The District recognizes that changes in the capital markets and other unforeseen circumstances may require action that deviates from this Debt Management Policy. In cases that require exceptions to this Debt Management Policy, approval from the Board will be necessary for implementation.

**3. Objectives**

The purpose of this Debt Management Policy is to assist the District in pursuit of the following equally important objectives, while providing full and complete financial disclosure and ensuring compliance with applicable state and federal laws:

- Minimize debt service and issuance costs.
- Maintain access to cost effective borrowing.
- Achieve the highest practical credit rating.
- Ensure full and timely repayment of debt.
- Maintain full and complete financial disclosure and reporting.
- Ensure compliance with debt covenants.

- Ensure compliance with applicable state and federal laws.

#### 4. Policies

##### A. Purposes For Which Debt May Be Issued

1. Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District.
  - a. Long-term debt financings are appropriate when the following conditions exist:
    - When the project to be financed is necessary to provide basic services.
    - When the project to be financed will provide benefit to constituents over multiple years.
    - When total debt does not constitute an unreasonable burden to the District and the District's taxpayers and/or ratepayers, as applicable.
    - When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.
  - b. Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.
  - c. The District may use long-term debt financings subject to the following conditions:
    - The project to be financed must be approved by the governing board of the District.
    - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
    - The District estimates that sufficient revenues will be available to service the debt through its maturity.
    - The District determines that the issuance of the debt will comply with the applicable state and federal law.
2. Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment.

##### B. Methods of Financing and Types of Debt

The General Manager of the District will investigate all possible financing alternatives including, but not limited to bonds, loans, state bond pools, and grants.

- **Cash Funding** – The District funds a significant portion of capital improvements from reserves accumulated from one-time revenues, which have been set aside for investment in the District’s infrastructure.
  
- **Inter-fund borrowing** – The District may borrow internally from other funds with surplus cash in lieu of issuing bonded debt. Purposes warranting the use of this type of borrowing could include short term cash flow imbalances, interim financing pending the issuance of bonds, or long-term financing in lieu of bonds for principal amounts of under \$1 million. Inter-fund borrowing should be undertaken only under the following circumstances and conditions:
  - Board approval required for all loans;
  - If from the District’s General Fund, the duration shall not exceed 12 months, with the loan and repayment occurring within the same fiscal year;
  - Fixed loan term (i.e., specific number of months with repayment date);
  - Lending fund must charge interest at level commensurate with what it might otherwise expect to receive if it were to invest such funds in the open market, given substantially equivalent parameters;
  - Specific revenue pledged to repay the loan must be based on realistic expectations for receipt;
  - Funds in the lending fund must not be needed for operations during the period of the loan; and
  - Loans must not be made from project-specific restricted funds, grant funds or other funds enabled by State or Federal legislation.

Inter-fund loans provide an alternative investment opportunity for idle funds with the same return on the investment that would have been earned otherwise. If the Board elects to pursue this option, staff would return at a subsequent meeting with a specific proposal for inter-fund loans. The General Manager shall also exercise due diligence to ensure that it is financially prudent for the lending fund to make the loan. Inter-fund loans will be evaluated on a case-by-case basis. Any borrowing between two District funds requires approval by Board resolution and shall be documented with an agreement specifying the terms of the borrowing, including the security, interest rate, payment dates and amount and the maturity date. The purpose of inter-fund borrowing is to finance high priority needs and to reduce costs of interest, debt issuance and/or administration.

- **Bank Loans / Lines of Credit** – The District will evaluate financial institution credit as a financing option on a case-by-by case basis.
  
- **Other Loans** – The District will evaluate other loan programs, including but not limited to State “loans” or federal “loans” through the United States Department of Agriculture for the construction of infrastructure projects.

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- **Bond Financing** – The District may issue any bonds which are allowed under federal and state law including but not limited to general obligation bonds, certificates of participation, revenue bonds, refunding bonds, land-secured (assessment and special tax) bonds, and other obligations (see below for detail). The following types of debt are allowable under this Debt Policy:
  - **General obligation bonds (GO Bonds):** General Obligation Bonds (GO Bonds) may only be issued with two-thirds approval of the District’s registered voters. The California State Constitution (Article XVI, Section 18) limits the use of the proceeds from GO Bonds to “the acquisition or improvement of real property”.
  - **Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions:** Lease financings may take a variety of forms, including COPs, lease revenue bonds, and direct leases (typically for equipment). When the District finances acquisition or construction of capital improvements or equipment with a lease financing, the District agrees to lease either the financed asset or a different asset and, most commonly, the District’s lease payments are securitized in the form of certificates of participation or lease revenue bonds. This type of financing requires approval of Board.
  - **Revenue bonds:** Revenue Bonds are generally issued by the District for enterprise funds that are financially self-sustaining without the use of taxes and therefore rely on the revenues collected by the enterprise fund to repay the debt. This type of financing requires approval of the Board.
  - **Refunding Obligations** – Pursuant to the Government Code and various other financing statutes applicable in specific situations, the Board is authorized to provide for the issuance of bonds for the purpose of refunding any long-term obligation of the District. Absent any significant non-economic factors, a refunding is required to meet the following test: 1) the refunding must produce a minimum net debt service savings (net of reserve fund earnings and other offsets, and taking transaction costs into account) of at least 3% of the par value of the refunded bonds on a net present value basis, unless the General Manager determines that there are other, compelling “non-economic” reasons for the refunding (i.e. removal of onerous covenants, terms or conditions).
  - **Special Tax Bonds** – Under the Mello-Roos Community Facilities Act of 1982, the District may issue bonds on behalf of a Community Facilities District (CFD) to finance capital facilities, most commonly in connection with new development. These bonds must be approved by a two-thirds vote of the qualified electors in the CFD, which the Mello-Roos Act defines to mean registered voters if there are 12 or more registered voters in the CFD and, if there are fewer than 12 registered voters, the landowners in the CFD. Bonds issued by the District under the Mello-

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Roos Act are secured by a special tax on the real property within the CFD. The Board will approve any special tax bonds prior to placement on a ballot for voter consideration. The financed facilities do not need to be physically located within the CFD. As this type of financing is secured by the special tax lien upon the real property it does not obligate the District's general fund or other funds.

- **Assessment Bonds** – The Improvement Bond Act of 1915 (Streets and Highways Code Section 8500 et seq.) and other state laws, subject to Article XIIIID of the California Constitution, allow the District to issue bonds to finance improvements that provide “specific benefit” to the assessed real property. Installments are collected on the secured property tax roll of the County. This type of financing is secured by the lien upon and assessments paid by the real property owners and does not obligate the District's general fund or other funds. This type of financing requires approval of the Board.
- **Other Obligations** – There may be special circumstances when other forms of debt are appropriate and may be evaluated on a case-by-case basis. The governing body may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. Such other forms include, but are not limited to: Tax and revenue anticipation notes (TRANS), bond anticipation notes, grant anticipation notes, tax allocation bonds, pension obligation bonds, conduit financings, such as financings for affordable rental housing and qualified 501(c)(3) organizations, etc.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the capital budget and the capital improvement plan.

**Budget Integration** – The decision to incur new indebtedness should be integrated with the policy decisions embedded in the Board-adopted Operating Budget and Capital Improvement Budget. The annual debt service payments shall be included in the Operating Budget. The District will integrate its debt issuances with the goals of its Capital Improvement Program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes. The District will seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

The District will strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District will seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The District will seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

**Biennial Review** – Recognizing that cost-effective access to the capital market depends on prudent management of the District’s debt program, a biennial review of the debt policy should be performed. The debt policy will be included as an Appendix in the annual Budget adopted by the Board. Any substantive changes to the policy shall be brought to the Board for consideration and approval.

#### **D. Policy Goals Related to Planning Goals and Objectives**

The District is committed to long-term financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the bi-annual operations budget.

It is a policy goal of the District to protect taxpayers, ratepayers (if applicable), and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

#### **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12.
- Any federal tax compliance requirements, including, without limitation, arbitrage and

rebate compliance.

- Investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the General Manager, or his or her written designee, or (b) by the Covered Entity, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the Covered Entity.

## **F. Structure and Term**

**Term of Debt** – Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future users. Consistent with its philosophy of keeping its capital facilities and infrastructure systems in good condition and maximizing a capital asset's useful life, the District will make every effort to set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal. Generally, no debt will be issued for a period exceeding the useful life or average useful lives of projects to be financed.

**Bond Maturity Options** – For each issuance, the District will select serial bonds or term bonds, or both. On the occasions where circumstances warrant, capital appreciation bonds (CABs) may be used. The decision to use term, serial or CABs is typically driven by market conditions.

**Interest Rate Structure** – The District currently issues securities on a fixed interest rate basis only. Fixed rate securities ensure budget certainty through the life of the issue and avoid the volatility of variable rates. The use of variable rate securities are prohibited.

**Credit Enhancement** – Credit enhancement may be used to improve or establish a credit rating on a District debt obligation. Types of credit enhancement include letters of credit, bond insurance and surety policies. The General Manager will recommend the use of a credit enhancement if it reduces the overall cost of the proposed financing or if the use of such credit enhancement furthers the District's overall financial objectives.

**Derivative products** – Because of their complexity, unless otherwise amended, Derivative Products such as interest rate swaps, interest floaters, and other hybrid securities are prohibited by this Debt Policy.

**Call Options / Redemption Provisions** – A call option or optional redemption provision

gives the District the right to prepay or retire debt prior to its stated maturity date. This option may permit the District to achieve interest savings in the future through the refunding of the bonds. Often the District will pay a higher interest rate as compensation to the buyer for the risk of having the bond called in the future. In addition, if a bond is called, the holder may be entitled to a premium payment (call premium). Because the cost of call options can vary depending on market conditions, an evaluation of factors will be conducted in connection with each issuance. The General Manager will evaluate and recommend the use of a call option on a case by case basis.

**G. Delegation of Authority**

The General Manager will be responsible for all of the financial affairs of the District. This Debt Management Policy grants the General Manager the authority to select the Financing Team, coordinate the administration and issuance of debt, communicate with the rating agencies, and fulfill all of the pre-issuance and post-issuance requirements imposed by or related to state law, federal tax law and federal securities law.

**Consultant Selection** –The District will consider the professional qualifications and experience of consultants as it relates to the specific bond issue or other financing under consideration. The District Manager shall select such consultants for Board consideration.

**Financing Team Definitions and Roles** – The financing team is the working group of District staff and outside consultants necessary to complete a debt issuance, including, but not limited to, bond counsel, disclosure counsel, underwriter, municipal advisor, trustee, pricing consultant and/or arbitrage analyst.

Typically, the General Manager and appropriate Department Head(s) form the District staff portion of the Financing Team. As needed, other staff members or designees may be appointed to the Financing Team.

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**EXHIBIT B**  
**POST-ISSUANCE TAX COMPLIANCE POLICY**  
**CLEARLAKE OAKS COUNTY WATER DISTRICT**

**DATED: June 27, 2017**

**I. PURPOSE**

Use of tax-exempt bond proceeds must comply with federal tax rules pertaining to the expenditure of proceeds, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The policy of the Clearlake Oaks County Water District (the "District") for monitoring compliance of its bond issues with these rules is as follows:

The District will comply with the following procedures:

**II. PROCEDURES**

**1. Expenditure of Proceeds**

The General Manager of the District shall have the responsibility for allocating bond proceeds to particular investments, expenditures, and assets. The General Manager of the District may delegate this responsibility, but shall retain the primary responsibility for insuring that the following procedures are followed.

- a) **Proceeds of a bond issue must be identified.** The General Manager shall refer to the Tax Certificate and to bond counsel (The Weist Law Firm) for help in identifying the amount of the proceeds of the bonds and for identification of funds holding bond proceeds.
- b) **Investments of bond proceeds must be tracked.** The General Manager shall ensure that all investments of bond proceeds are recorded, including identification of the investment, the purchase price of the investment, the date of the investment, the date of any receipts from the investment, and the date of repayment or sale of the investment. Earnings from investments of bond proceeds will be treated as additional bond proceeds and similarly tracked.
- c) **Proceeds must be tracked until they are allocated to expenditures.** Proceeds may be allocated to a capital expenditure by direct tracing or by another other reasonable method (such as treating an expenditure made from another source as having been made from bond proceeds if that source is reimbursed from bond proceeds).
  - i. If the District uses direct tracing of bond proceeds, the General Manager shall establish the form and procedure for preparation and review of requisitions of bond proceeds. Requisitions must identify the financed property in conformity with the Tax Certificate, including certifications as to the character and average economic life of the bond-financed property.

- ii. If the District uses bond proceeds to reimburse costs that were paid prior to the issuance of the bonds, the General Manager shall document the use of bond proceeds to make such reimbursements and will only allow such reimbursements to the extent permitted in the Tax Certificate.
  - iii. If the District uses any other method for allocating bond proceeds to expenditures, the General Manager shall prepare at least annually until all proceeds have been spent a written allocation of bond proceeds to expenditures, including the dates and amounts of such expenditures. The General Manager shall only allocate bond proceeds to expenditures if there is a reasonably concurrent actual outlay of cash by the District to a third party.
  - iv. The General Manager shall prepare a written "final allocation" of bond proceeds to expenditures no later than the earlier of 18 months after the in-service date of the financed property and the fifth anniversary date of the issue of the bonds. If not all bond proceeds are allocated to expenditures by that date, allocations thereafter may only be made using a tracing method.
- d) The General Manager shall compare the allocation of proceeds to expenditures of proceeds to the tax certificate expectation to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. In the event that those expectations are not met, the General Manager shall consult with bond counsel to determine whether further action is necessary. Similarly, the General Manager shall compare to the allocation of proceeds to expenditures to the timetables set forth for the arbitrage rebate exceptions described in the tax certificate.
- e) As proceeds are allocated to expenditures for capital assets, the General Manager shall prepare and maintain a schedule of all capital assets treated as financed with the bonds. The General Manager shall maintain a separate schedule for each bond issue. If only a portion of a capital asset is treated as financed with a particular bond issue, the General Manager shall consult with bond counsel as to how to document the particular allocation.

## **2. Use of Bond-Financed Property**

The General Manager of the District shall have the responsibility of periodically reviewing the continued ownership and use of all assets financed by the bond issue. The General Manager of the District may delegate this responsibility, but shall retain the primary responsibility for insuring that the following procedures are followed.

- a) At least annually, the General Manager shall conduct a review of the assets financed with the proceeds of the bonds in accordance with the schedule prepared under 1(e) above.
  - i. The General Manager shall contact the appropriate officers or employees of the District to determine whether the assets continue to be owned by the District. Ownership of bond financed facilities by entities other than governmental entities can give rise to tax issues.

- ii. The General Manager shall contact the appropriate officers or employees of the District to determine whether the assets are used only by the District or by some other entities. Use of assets by any entities other than another governmental entity can give rise to tax issues. Use may arise through ownership, lease, management contract, sponsored research, purchase of output, or other arrangements that give rise to priority rights in bond-financed assets. Use as a member of the general public (such as through short-term rentals or use under a rate-scale arrangement) will not be treated as private use.
- b) If the General Manager learns of sale of assets or private use of bond financed assets, he or she shall consult with bond counsel concerning appropriate remedies, including remedial action or voluntary compliance agreements with the IRS.
- c) Ideally, the General Manager will try to learn in advance of any proposed sale, lease, or other use by a private entity of bond financed assets and will consult with bond counsel concerning appropriate remedial action or other action.

### **3. Investments**

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the General Manager.

- a) Guaranteed investment contracts (“GIC”) will be purchased only using the three-bid “safe harbor” of applicable Treasury regulations, in compliance with fee limitations on GIC brokers in the regulations. Any exceptions to this rule must be discussed with the bond counsel.
- b) Other investments will be purchased only in market transactions.
- c) Calculations of rebate liability will be performed as necessary by outside consultants.
- d) Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the District.
- e) The General Manager shall identify date for first rebate payment at time of issuance, in conjunction with bond counsel, and enter that date in the records for the issue.

### **4. Records**

Management and retention of records related to tax exempt bond issues will be supervised by the General Manager.

- a) The General Manager shall retain records relating to investment, expenditures, and use of bond financed facilities for the life of the bonds plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.

- i. Retainable records pertaining to bond issuance include transcript of documents executed in connection with the issuance of the bonds and any amendments, and copies of rebate calculations and records of payments including Forms 8038-T.
- ii. Retainable records pertaining to expenditures of bond proceeds include requisitions, trustee statements and final allocation of proceeds.
- iii. Retainable records pertaining to use of property include all agreements reviewed for nonexempt use and any reviewed documents relating to unrelated business activity.
- iv. Retainable records pertaining to investments include GIC documents under the Treasury regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.
- v. Retainable records pertaining to any credit enhancement of the bonds during the entire term of the bonds, including bond insurance contracts, letters of credit and standby purchase agreements.
- vi. Retainable records pertaining to interest rate swaps, interest rate caps and other hedging contracts, including any ISDA agreements, fairness opinions, termination agreements and records of termination payments.

### **III. COMPLIANCE UNDER TAX CERTIFICATE**

The General Manager shall also periodically, and at least annually, review and monitor comply with all provisions of the related Tax Certificate so long as the bonds are outstanding and will consult with bond counsel to take timely remedial actions under section 1.141-12 of the Treasury Regulations (or other remedial actions authorized by the Commissioner of the IRS under Section 1.141-12(h) of the Regulations) to prevent from being considered “deliberate actions” any actions of the District which cause the conditions of the private business tests or the private loan financing test to be met resulting in private activity bonds.

#### **TRAINING**

The General Manager and any persons to who the General Manager specifically delegates any of the duties in these procedures will consult with bond or tax counsel at the time a new issue of bonds is issued to determine what further training may be needed to comply with these procedures. In addition, the General Manager shall also periodically, and at least annually, consult with bond or tax counsel to determine whether additional training is needed.

#### **OVERALL RESPONSIBILITY**

Overall administration and coordination of this policy is the responsibility of the General Manager of the District.

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
RESOLUTION NO. 17-18**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CLEARLAKE OAKS  
COUNTY WATER DISTRICT DECLARING ITS INTENTION TO REIMBURSE  
CERTAIN EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT  
OBLIGATIONS AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO  
AS REQUIRED BY UNITED STATES DEPARTMENT OF TREASURY  
REGULATIONS SECTION 1.150-2**

**WHEREAS**, the Board of Directors (the "Board") of the Clearlake Oaks County Water District (the "District"), after due investigation and deliberation, desires to undertake proceedings for the financing (the "Financing") the certain costs of constructing, repairing, expanding, modernizing, and/or equipping certain improvements to its wastewater enterprise system, as general described in Exhibit A attached hereto and incorporated herein (the "Project"); and

**WHEREAS**, the District intends to finance the construction, repairing, expanding, modernizing, and/or equipping of the Project or portions of the Project with the proceeds of tax-exempt bonds, notes, certificates of participation, revenue bonds or other forms of tax-exempt debt (the "Debt Obligations"); and

**WHEREAS**, prior to the issuance of any Debt Obligations the District desires to incur certain capital expenditures (the "Reimbursable Expenditures") with respect to the Project from available moneys of the District; and

**WHEREAS**, the Board has determined that those moneys which will be advanced on and after the date hereof to pay Reimbursable Expenditures are available only for a temporary period, and it is necessary to reimburse the District for such Reimbursable Expenditures from the proceeds of the Debt Obligations, all as set forth pursuant to Section 1.150-2 of the regulations (the "Treasury Regulations") promulgated under the Internal Revenue Code of 1986, as amended (the "Tax Code"); and

**WHEREAS**, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the same manner governing the public availability of records of other official acts of the Board; and

**WHEREAS**, this Resolution is intended to be a "declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations; and

**WHEREAS**, this action does not constitute a "Project" under California Environmental Quality Act (CEQA) Guidelines Section 15378; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Clearlake Oaks County Water District hereby orders and determines as follows:

**Section 1.** The foregoing recitals are adopted as findings of the Board as though set forth fully herein.

**Section 2.** The District reasonably expects to reimburse itself for the Reimbursable Expenditures made by the District in anticipation of the issuance of the Debt Obligations with proceeds of Debt Obligations. The reimbursement of Reimbursable Expenditures is consistent with the District's budgetary and financial circumstances.

**Section 3.** The Board hereby determines that it is necessary and desirable to proceed with the Financing and procurement of the Debt Obligations.

**Section 4.** The maximum principal amount of the Debt Obligations from which Reimbursable Expenditures are to be made is reasonably expected to be \$2,831,000. The obligation to be represented by the Debt Obligations may be incurred by the District by means of the execution and delivery of lease agreement, certificates of participation and/or revenue bonds.

**Section 5.** The proceeds from the Debt Obligations are to be used for the financing, acquisition, design and/or construction of the Project, funding a reserve fund, a capitalized interest fund, and for paying certain costs of issuance related thereto.

**Section 6.** This Resolution is adopted for purposes of establishing compliance with the requirements of section 1.150-2 of the Treasury Regulations. This Resolution does not bind the District to make any expenditure, incur any indebtedness or proceed with the Financing of the Projects.

**Section 7.** The General Manager, the Secretary and any and all other officers of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution.

**Section 8. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting thereof held on the 27th day of June, 2017 by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

**CLEARLAKE OAKS COUNTY WATER DISTRICT**

By: \_\_\_\_\_  
Margaret Medeiros, Board President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

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## EXHIBIT A

### GENERAL DESCRIPTION OF THE PROJECT

The Project to be acquired and constructed with the proceeds of the Debt Obligations, is general described as follows:

The acquisition and improvements to the District's Wastewater System, including rehabilitation and repair of pump stations and lift stations, new isolation gate, new manhole flow meters, new aerator brushes, oxidation ditch upgrades, new secondary clarifier, new return activated sludge pump station, new sludge drying bed and drain improvements, new SCADA system, electrical, control, and instrumentation improvements, as well as any necessary lands, rights of way and other real or personal property useful in connection therewith, together with all additions, extensions, expansions, improvements and betterments thereto and equipments thereof, together with such other or additional Wastewater System improvements as may be agreed to by the District, all as more specifically described in the Preliminary Engineering Report prepared by or on behalf of the District, as submitted to USDA in connection with the application of the District to USDA for the financing of a portion of the cost and expense of said improvements, subject to such modifications to the subject improvement project as may be approved by USDA during the course of construction.

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**CLEARLAKE OAKS COUNTY WATER DISTRICT  
RESOLUTION NO. 17-19**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
CLEARLAKE OAKS COUNTY WATER DISTRICT APPROVING AND  
ADOPTING USDA RUS BULLETIN 1780-27 LOAN RESOLUTION  
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 WASTEWATER SYSTEM IMPROVEMENT PROJECT**

**WHEREAS**, the Board of Directors (the "Board") of the Clearlake Oaks County Water District (the "District"), working together with the Public Property Financing Corporation of California, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), have agreed to enter into certain contractual relations for the purpose, among other things, of providing financing for public capital improvements of the District; and

**WHEREAS**, the United States Department of Agriculture (USDA) Rural Development has issued a Letter of Conditions to fund the District's 2016 Water System Improvement Project (the "Project"), that includes a not-to-exceed \$2,831,000 loan component; and

**WHEREAS**, as part of the Letter of Conditions, the USDA requires that the Board adopt a RUS Bulletin 1780-27 Loan Resolution Authorizing and Providing for the Incurrence of Indebtedness for the Purpose of Providing for a portion of the Cost of Acquiring, Constructing, Enlarging, Improving and/or Extending the Clearlake Oaks County Water District 2017 Wastewater System Improvement Project (the "USDA Loan Resolution No. 1780-27"); and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Clearlake Oaks County Water District hereby orders and determines as follows:

**Section 1. Recitals and Findings.** The Board hereby specifically finds and declares that each of the statements, findings and determinations of the District set forth in the recitals set forth above and in the preambles of the USDA Loan Resolution No. 1780-27 approved herein are true and correct.

**Section 2. Authorized Representatives.** The President, General Manager and Secretary or Acting Secretary, and any other person authorized by the Board to act on behalf of the District shall each be an "Authorized Representative" of the District for the purposes of USDA Loan Resolution No. 1780-27, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the District, to execute and deliver any and all documents and certificates that may be required, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the District has approved in this Resolution and USDA Loan Resolution No. 1780-27.

**Section 3. Approval and Adoption of USDA Loan Resolution No. 1780-27.** The Board hereby approves and adopts USDA Loan Resolution No. 1780-27, attached hereto and made a part hereof, on behalf of the Clearlake Oaks County Water District.

**Section 4. Official Actions.** Each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution and USDA Loan Resolution No. 1780-27.

**Section 5. Effective Date.** This Resolution and USDA Loan Resolution No. 1780-27 shall take effect from and after the date of their passage and adoption.

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a special meeting thereof held on the 27th day of June, 2017 by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

CLEARLAKE OAKS COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Margaret Medeiros, Board President

Attest: \_\_\_\_\_  
Dianna Mann, Board Secretary

**LOAN RESOLUTION**  
(Public Bodies)

A RESOLUTION OF THE BOARD OF DIRECTORS

OF THE CLEARLAKE OAKS COUNTY WATER DISTRICT

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

WASTEWATER SYSTEM IMPROVEMENT PROJECT  
FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the CLEARLAKE OAKS COUNTY WATER DISTRICT  
(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 TWO MILLION EIGHT HUNDRED THIRTY-ONE THOUSAND DOLLARS (\$2,831,000.00)

pursuant to the provisions of California law; 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.*

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- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ 2,062,540.00

under the terms offered by the Government; that the President, Vice-President, General Manager

and Secretary of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Absent \_\_\_\_\_

IN WITNESS WHEREOF, the Board of Drectors of the

Clearlake Oaks County Water District has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this \_\_\_\_\_, \_\_\_\_\_ day of \_\_\_\_\_ 2017

(SEAL) By \_\_\_\_\_

Attest: Title \_\_\_\_\_

\_\_\_\_\_

Title \_\_\_\_\_

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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 \_\_\_\_\_

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## Dianna Mann

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**From:** Atwell, Reef - RD, Santa Rosa, CA [Reef.Atwell@ca.usda.gov]  
**Sent:** Thursday, June 22, 2017 1:52 PM  
**To:** Dianna Mann  
**Cc:** Lorie Adams  
**Subject:** FW: Reimbursement Clearlake Oaks

Hello Dianna,

Just to reiterate USDA RD would reimbursement costs at closing as part of the first draw including construction costs.

Thanks,

Reef Atwell  
Area Specialist | Santa Rosa Office  
Rural Development  
United States Department of Agriculture  
777 Sonoma Ave "E" Street Annex  
Santa Rosa, CA 95404  
(707) 536-0246 | Fax: 844-206-7011  
[www.rd.usda.gov/ca](http://www.rd.usda.gov/ca) | "Committed to the future of rural communities"

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**From:** Yribarren, Pete - RD, Santa Maria, CA  
**Sent:** Thursday, June 22, 2017 1:25 PM  
**To:** Atwell, Reef - RD, Santa Rosa, CA <[Reef.Atwell@ca.usda.gov](mailto:Reef.Atwell@ca.usda.gov)>  
**Subject:** RE: Reimbursement Clearlake Oaks

Yes

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**From:** Atwell, Reef - RD, Santa Rosa, CA  
**Sent:** Thursday, June 22, 2017 1:17 PM  
**To:** Yribarren, Pete - RD, Santa Maria, CA <[Pete.Yribarren@ca.usda.gov](mailto:Pete.Yribarren@ca.usda.gov)>  
**Subject:** Reimbursement Clearlake Oaks

Hello Pete,

I'm on the phone with Clearlake Oaks and they asked if they were to use their own funds for construction for the first month would they get reimbursed back? My understanding is they would...as we would just put it as part of the first draw.

Is that correct?

Thanks,

Reef Atwell  
Area Specialist | Santa Rosa Office  
Rural Development  
United States Department of Agriculture  
777 Sonoma Ave "E" Street Annex  
Santa Rosa, CA 95404  
(707) 536-0246 | Fax: 844-206-7011  
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