

**PURSUANT TO EXECUTIVE ORDERS ISSUED BY GOVERNOR NEWSOM,  
ONE OR MORE BOARD MEMBERS MAY PARTICIPATE IN THE MEETING  
VIA TELECONFERENCE**

AGENDA FOR THE REGULAR MEETING OF THE FINANCING CORPORATION  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, AUGUST 4, 2021, IMMEDIATELY FOLLOWING  
THE REGULAR BOARD MEETING SCHEDULED AT 5:00 P.M.  
VIA TELECONFERENCE

NOTICE TO THE PUBLIC

Due to the evolving situation with the COVID-19 Novel Coronavirus, so long as state or local public health officials have imposed or recommended social distancing measures Vallecitos Water District will hold future meetings via teleconferencing and allow members of the public to observe and address the meeting telephonically or otherwise electronically. During this period of time, Vallecitos Water District will not be making any physical location available for members of the public to observe the meeting and offer public comment. The public is encouraged to watch and participate in the meeting from the safety of their homes. The meeting can be viewed on the agenda page located on the main page of the District's website. Public comments or questions can be submitted to the following email address: [PublicComment@vwd.org](mailto:PublicComment@vwd.org). All written comments that are received at least 90 minutes before the meeting will be provided to the Board, and a record of the receipt of comment will be noted during the meeting. Members of the public viewing the meeting via the Zoom videoconferencing platform can express their desire to provide input at the appropriate time by utilizing the "Raise Hand" function. Additional instructions for online participation will be posted on the District's website. [www.vwd.org/meetings](http://www.vwd.org/meetings)

CALL TO ORDER – PRESIDENT SANNELLA

ROLL CALL

ADOPT AGENDA FOR THE REGULAR MEETING OF AUGUST 4, 2021

PUBLIC COMMENT

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy. Public comments are limited to three minutes. A Request to Speak form is required to be submitted to the Executive Secretary prior to the start of the meeting, if possible. Alternatively, persons wishing to address the Board at this time may utilize the "Raise Hand" feature of the Zoom videoconferencing platform. Public comment should start by stating name, address and topic. The Board is not permitted during this time to enter into a dialogue with the speaker.

CONSENT CALENDAR

All matters listed under the Consent Calendar will be voted upon by one motion. There will be no separate discussion of these items, unless a Board member or member of the public requests that a particular item(s) be removed from the Consent Calendar, in which case it will be considered separately under Action Items.

1.1 APPROVAL OF MINUTES (pp. 4-5)

A. REGULAR MEETING OF THE VALLECITOS WATER DISTRICT  
FINANCING CORPORATION – NOVEMBER 18, 2020

*Approved minutes become a permanent public record of the District.*

**Recommendation: Approve Minutes**

\*\*\*\*\*END OF FINANCING CORPORATION CONSENT CALENDAR\*\*\*\*\*

ACTION ITEMS

2.1 DEBT ISSUANCE DOCUMENTS AND RESOLUTION (pp. 6-103)

*The Board authorized staff to move forward with contracts necessary to issue \$28 million in 2021 Certificates of Participation.*

**Recommendation: 1) Adopt the Resolution for the 2021 Certificates of Participation execution and delivery; and 2) Authorize staff to execute the necessary contracts and agreements for the financing**

\*\*\*\*\*END OF ACTION ITEMS\*\*\*\*\*

REPORTS

\*\*\*\*\*END OF FINANCING CORPORATION REPORTS\*\*\*\*\*

3.1 ADJOURNMENT OF FINANCING CORPORATION MEETING

\*\*\*\*\*END OF FINANCING CORPORATION AGENDA\*\*\*\*\*

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Executive Secretary at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 5:00 p.m., Friday, July 30, 2021.

\_\_\_\_\_  
Diane Posvar

MINUTES OF A REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT  
FINANCING CORPORATION ON WEDNESDAY, NOVEMBER 18, 2020,  
FOLLOWING THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT AT 5:00 P.M. VIA TELECONFERENCE

Vice President Sannella called the meeting to order at the hour of 5:57 p.m.

Present: Director Elitharp  
Director Hernandez  
Director Martin  
Director Sannella  
Director Evans

Staff Present: General Manager Prui  
Legal Counsel Gilpin  
Finance Manager Owen  
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 18, 2020

20-11-01 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to adopt the Agenda for the Regular Meeting of November 18, 2020.

PUBLIC COMMENT

None.

CONSENT CALENDAR

20-11-02 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to approve the Consent Calendar as presented.

- 1.1 Approval of Minutes
  - A. Regular Meeting of the Vallecitos Water District Financing Corporation of December 11, 2019

ACTION ITEMS

None.

REPORTS

FISCAL YEAR 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT

20-11-03 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to accept and file the Fiscal Year 2020 Comprehensive Annual Financial Report.

ADJOURNMENT

There being no further items to discuss, Vice President Sannella adjourned the meeting at the hour of 5:59 p.m.

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Michael A. Sannella, Vice President  
Board of Directors  
Vallecitos Water District Financing Corporation

ATTEST:

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Glenn Pruim, Secretary  
Board of Directors  
Vallecitos Water District Financing Corporation

**DATE: AUGUST 4, 2021**  
**TO: BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT FINANCING CORPORATION**  
**SUBJECT: DEBT ISSUANCE DOCUMENTS AND RESOLUTION**

**BACKGROUND:**

The Board authorized staff to move forward with contracts necessary to issue \$28 million in 2021 Certificates of Participation (COPS) at its May 6, 2021 meeting. The Finance Team has prepared and reviewed appropriate documentation to authorize the execution and delivery of the District's COPS. The COPS are being executed and delivered in order to fund \$16.2 million in eligible unreimbursed capital costs from previous projects and fund \$11.8 million in upcoming capital costs identified in the FY2021/22 Budget using debt financing at near historical low interest rates.

**DISCUSSION:**

The COPS execution and delivery requires a resolution to be adopted by the Board of Directors of the Financing Corporation. The following is a list of other documents associated with the COPS issuance attached with this staff report:

- Third Supplemental Installment Purchase Contract
- Trust Agreement
- Purchase Contract
- Assignment Agreement

The resolution needs to be adopted, and contracts and agreements authorized by the Board of Directors to be executed by staff, in order to price and close the COPS issuance on August 12 and August 19, 2021, respectively. Some of the documents contain blanks or estimates of numbers that cannot be determined until the final pricing of the COPS occurs. Bond and Disclosure Counsel has reviewed the various financing documents and good faith estimates from the District's Municipal Advisor, Fieldman Rolapp are as follows:

**Good Faith Estimates**

Set forth below are **good faith estimates** of Fieldman, Rolapp & Associates, Inc., the municipal advisor, as required under Section 5852.1 of the California Government Code (the "Code"). **The following estimates are based on market conditions as of July 26, 2021, and have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by resolution.**

(a) The true interest cost of the Certificates is estimated at 2.34%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the Certificates, including all fees and charges paid to third parties, is estimated at \$285,198 as follows:

**COST OF ISSUANCE BUDGET/NTE Amounts for Closing Requisition**

<b>Role/Purpose</b>	<b>Firm</b>	<b>NTE Fees &amp; Expenses</b>
Bond & Disclosure Counsel	Stradling Yocca Carlson Rauth	\$75,000
Municipal Advisor	Fieldman Rolapp & Associates	52,500
Municipal Advisor Expenses	Fieldman Rolapp & Associates	2,500
Credit Rating (S&P Global)	S&P Global Ratings	34,250
Credit Rating (Fitch)	Fitch Ratings	32,000
Trustee	MUFG Union Bank/US Bank	10,000
Printing of OS/POS	ImageMaster	5,000
Miscellaneous/Contingency	Additional proceeds	19,148
Underwriter's Discount	Morgan Stanley	54,800
<b>Total Cost of Issuance</b>		<b>\$285,198</b>

(c) Proceeds of the Certificates expected to be received by the District for the sale of the Certificates, less the finance charge described in (b) above and any capitalized interest or reserves paid from proceeds of the installment agreement (if any), is equal to \$28,000,000.

(d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$39,292,025.

The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

District staff, the District's Municipal Advisor, and bond and disclosure counsel participated in rating agency presentations on July 21. Ratings are anticipated to be received the week of August 2.

**FISCAL IMPACT:**

The terms of the 2021 COPS are currently being negotiated and are estimated at a fixed all-in true interest cost of 2.34% for 30 years, based on market conditions as of July 26, 2021. The finance charge of the Certificates, including all fees and charges paid to third parties, is estimated at \$285,198.

**RECOMMENDATION:**

Staff recommends the Board of Directors of the Financing Corporation consider adopting the resolution for the 2021 COPS execution and delivery and authorize staff to execute the necessary contracts and agreements for the financing.

**ADDITIONAL ATTACHMENT:**

- Resolution

**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT FINANCING CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$30,000,000 REVENUE CERTIFICATES OF PARTICIPATION, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Vallecitos Water District Financing Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”) with the authority to assist in the acquisition of equipment and facilities on behalf of the Vallecitos Water District (the “District”); and

**WHEREAS**, the District has determined that it would be in the best interests of the District to acquire certain additions, betterments, extensions and improvements to the District’s Water System and Wastewater System (the “Enterprise”), including reimbursing the District for certain expenditures in connection therewith; and

**WHEREAS**, the District and the Corporation desire to enter into that certain Third Supplemental Installment Purchase Contract, by and between the District and the Corporation (the “Third Supplemental Installment Purchase Contract”), in substantially the form on file with the Corporation, that certain Trust Agreement, by and among the Trustee named therein, as trustee (the “Trustee”), the District and the Corporation (the “Trust Agreement”), in substantially the form on file with the Corporation, and that certain Assignment Agreement, by and between the Corporation and the Trustee (the “Assignment Agreement”), in substantially the form on file with the Corporation; and

**WHEREAS**, the Certificates (as defined below) will be sold to the underwriter (the “Underwriter”) named in a Purchase Contract, by and between the District and the Underwriter and acknowledged by the Corporation (the “Purchase Contract”), the form of which is on file with the Corporation;

**NOW, THEREFORE, BE IT RESOLVED**, the Board of Directors of the Vallecitos Water District Financing Corporation does hereby resolve as follows:

1. Authorization. This Board of Directors hereby authorizes the preparation, sale and delivery of the Certificates in an aggregate principal amount not to exceed \$30,000,000 (the “Certificates”) in accordance with the terms and provisions of the Trust Agreement. The purposes for which the proceeds of the sale of the Certificates shall be expended is to acquire certain additions, betterments, extensions and improvements to the Enterprise, including reimbursing the District for certain expenditures in connection therewith, and to pay the costs of delivery of the Certificates.
2. Certificate Documents. The Third Supplemental Installment Purchase Contract, the Assignment Agreement, the Trust Agreement and the Purchase Contract presented at this meeting are approved. The President or Vice-President, the Executive Director and the Treasurer (the “Authorized Officers”) is each individually authorized and directed to execute and deliver the Installment Purchase Agreement, the Assignment Agreement and the Trust Agreement and to acknowledge the Purchase Contract. Such agreements and contracts shall be executed or



acknowledged, as the case may be, in substantially the forms hereby approved, with such changes, insertions and omissions as may be required or approved by the District’s General Counsel or Stradling Yocca Carlson & Rauth, A Professional Corporation, as special counsel to the District; and approved by such Authorized Officer executing the same, said execution being conclusive evidence of such approval.

3. Good Faith Estimates. The Board of Directors acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in the staff report and are available to the public at the meeting at which this Resolution is approved.

4. Other Actions. Each Authorized Officer and such other officers of the Corporation is authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which such Authorized Officer may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, and the delivery of the Installment Purchase Agreement, the Assignment Agreement and the Trust Agreement, and acknowledgement of the Purchase Contract and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers with respect to the foregoing are hereby ratified and confirmed.

5. Effective Date. This Resolution shall take effect immediately.

**PASSED, APPROVED AND ADOPTED** by the Board of Directors of the Vallecitos Water District Financing Corporation at a regular meeting held on this 4<sup>th</sup> day of August, 2021, by the following roll call vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

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Vallecitos Water District Financing Corporation  
Facilities Corporation

ATTEST:

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Secretary of Vallecitos Water District Financing Corporation

THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

VALLECITOS WATER DISTRICT

and the

VALLECITOS WATER DISTRICT  
FINANCING CORPORATION

Dated as of August 1, 2021

Relating To

\$ \_\_\_\_\_

Vallecitos Water District  
Revenue Certificates of Participation  
Series 2021A

(Supplemental to the Master Installment  
Purchase Contract, dated as of June 15, 2005, as amended and supplemented to the date hereof)

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THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

THIS THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT (the “Third Supplemental Installment Purchase Contract”), dated as of August 1, 2021, is by and between the VALLECITOS WATER DISTRICT, a county water district organized and existing under the laws of the State of California (the “District”), and the VALLECITOS WATER DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”).

WITNESSETH:

WHEREAS, the District and the Corporation have executed and entered into a Master Installment Purchase Contract, dated as of June 15, 2005, as amended and supplemented from time to time, including but not limited to, as supplemented by the First Supplemental Installment Purchase Contract, dated June 15, 2005 and the Second Supplemental Installment Purchase Contract, dated December 1, 2012 (collectively, the “Master Contract”), for the acquisition from time to time of various additions, betterments, extensions and improvements to the Water System and the Wastewater System (collectively, the “Enterprise”) of the District;

WHEREAS, the District desires to acquire certain capital improvements to its Enterprise, including the reimbursement of the District for certain expenditures in connection therewith, all as described in Exhibit A hereto (the “2021A Project”);

WHEREAS, in order to acquire the 2021A Project, the District desires to obligate itself to make 2021A Installment Payments (as defined herein) pursuant to this Third Supplemental Installment Purchase Contract;

WHEREAS, pursuant to the Trust Agreement (as defined herein), the Corporation has assigned to U.S. Bank National Association, as trustee (the “Trustee”) under the Trust Agreement, certain of its rights under the Master Contract (as defined herein), including its right to receive the 2021A Installment Payments to be made by the District under this Third Supplemental Installment Purchase Contract;

WHEREAS, in consideration of such assignment and the execution and entering into of the Trust Agreement by the Trustee, the Corporation and the District, the Trustee has agreed to execute and deliver \$\_\_\_\_\_ Vallecitos Water District Revenue Certificates of Participation, Series 2021A (the “2021A Certificates”), secured by the 2021A Installment Payments payable hereunder;

WHEREAS, the District and the Corporation have determined to amend certain provisions of the Master Contract as set forth herein, such amendments to become effective in accordance with Section 7.03 of the Master Contract.

WHEREAS, the District and the Corporation have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Third Supplemental Installment Purchase Contract supplemental to the Master Contract 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 Third Supplemental Installment Purchase Contract;

NOW, THEREFORE, in consideration of the agreements and covenants contained herein, and for other valuable consideration, the parties agree as follows:

## ARTICLE I

### DEFINITIONS

Section 1.01. Definitions. Except as provided in Section 1.02 hereof or unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

“Closing Date” means \_\_\_\_\_, 2021.

“Component A of the 2021A Project” means the portion of the 2021A Project set forth in the first paragraph of Exhibit A hereto.

“Component B of the 2021A Project” means the portion of the 2021A Project set forth in the second paragraph of Exhibit A hereto.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated \_\_\_\_\_, 2021, by and between the District and Fieldman Rolapp & Associates, Inc. doing business as Applied Best Practices, as dissemination agent, executed and delivered in connection with the delivery of the 2021A Certificates.

“Installment Payment Date” means each Interest Payment Date established under the Trust Agreement.

“Master Contract” means the Master Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, including but not limited to the First Supplemental Installment Purchase Contract, dated June 15, 2005, the Second Supplemental Installment Purchase Contract, dated December 1, 2012 and this Third Supplemental Installment Purchase Contract.

“Third Supplemental Installment Purchase Contract” means this Third Supplemental Installment Purchase Contract, dated as of August 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

“Trust Agreement” means the Trust Agreement, dated as of August 1, 2021, by and among the District, the Trustee and the Corporation relating to the 2021A Certificates, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“2021A Certificates” means the Vallecitos Water District Revenue Certificates of Participation, Series 2021A executed and delivered pursuant to the terms of the Trust Agreement.

“2021A Installment Payments” means the Installment Payments required to be made by the District pursuant to Section 2.04 hereof.

“2021A Project” means the improvements to the Water System and Wastewater System acquired pursuant to this Third Supplemental Installment Purchase Contract and described as Component A of the 2021A Project and Component B of the 2021A Project in Exhibit A hereto.

“2021A Project Account” means the accounts with general ledger codes \_\_\_\_ and \_\_\_\_ established pursuant to Section 2.06 hereof, which such accounts shall comprise the Improvement Fund for purposes of this Third Supplemental Installment Purchase Contract.

Section 1.02. Definitions in Master Contract and Trust Agreement. Except as otherwise herein defined or unless the context otherwise requires, the terms defined in the Master Contract or the Trust Agreement shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this Third Supplemental Installment Purchase Contract than under the Master Contract or the Trust Agreement, as used herein it shall have the meaning given herein. For purposes of this Third Supplemental Installment Purchase Contract, the parties hereto agree that references to “Director of Finance” shall refer to the Finance Manager of the District.

## ARTICLE II

### PURCHASE AND SALE OF 2021A PROJECT; 2021A INSTALLMENT PAYMENTS

Section 2.01. Sale of Component A of the 2021A Project. In consideration for assistance in reimbursing costs related to Component A of the 2021A Project, the District agrees to sell, and hereby sells, to the Corporation and the Corporation agrees to purchase, and hereby purchases from the District, Component A of the 2021A Project.

Section 2.02. Purchase of 2021A Project. In consideration for the 2021A Installment Payments, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the 2021A Project at the purchase price that is specified in Section 2.04 hereof and otherwise in the manner and in accordance with the provisions of this Third Supplemental Installment Purchase Contract.

Section 2.03. Title. All right, title and interest in Component A of the 2021A Project shall vest in the District immediately upon the original execution and delivery of this Third Supplemental Installment Purchase Contract. Title to each component of Component B of the 2021A Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Corporation or the District, and the Corporation shall, if requested by the District or if necessary, to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 2.04. Payment of 2021A Installment Payments. In consideration of the Corporation’s agreement to finance and refinance the 2021A Project pursuant to the provisions of the Master Contract, the District shall, subject to any rights of prepayment provided in Article IV hereof, pay to the Corporation, for the acquisition of the 2021A Project the sum of \_\_\_\_\_ Million \_\_\_\_\_ Hundred Thousand Dollars (\$\_\_\_\_\_), without offset or deduction of any kind, by paying the principal installments of the 2021A Installment Payments annually on August 1 in each year in the amounts set forth in Exhibit B hereto, together with interest installments to be paid in an amount

equal to the interest due on the 2021A Certificates on each Installment Payment Date for the Certificates, which shall constitute interest paid on the principal amount of the District's obligation to make the 2021A Installment Payments to the Corporation hereunder.

Each 2021A Installment Payment shall be deposited with the Trustee, as assignee of the Corporation, no later than five Business Days next preceding the due date therefor set forth in the preceding paragraph, in lawful money of the United States of America, in immediately available funds. If and to the extent that, on any such date, there are amounts on deposit in the Payment Fund established under the Trust Agreement, or in any of the accounts therein, which amounts are not being held for the payment of specific 2021A Certificates, such amounts shall be credited against the 2021A Installment Payment due on such date.

Section 2.05. Reserve Fund Payments. No Reserve Fund has been created with respect to the 2021A Project.

Section 2.06. Establishment of 2021A Project Account. There is hereby established in the Improvement Fund in accordance with Section 2.03 of the Master Contract, the 2021A Project Account, into which the Director of Finance shall deposit the amount required by the Trust Agreement. All money in the 2021A Project Account shall be invested by the Director of Finance in Permitted Investments and shall be accounted for in accordance with the Master Contract.

Section 2.07. Obligation Absolute. The obligation of the District to make the 2021A Installment Payments and other payments required to be made by it under this Article, solely from Net Revenues, is absolute and unconditional, and until such time as the 2021A Installment Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IV), the District shall not discontinue or suspend any 2021A Installment Payments or other payments required to be made by it hereunder when due, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such 2021A Installment Payments and other payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Section 2.08. Nature of Contract. This Third Supplemental Installment Purchase Contract constitutes a Parity Obligation and a Supplemental Contract under the Master Contract and, as such, shall be subject to the provisions of the Master Contract and shall have all of the advantages, benefits, interests and security afforded Parity Obligations and Supplemental Contracts pursuant to the Master Contract.

### ARTICLE III

#### PREPAYMENT OF 2021A INSTALLMENT PAYMENTS; DISCHARGE

Section 3.01. Prepayment of 2021A Installment Payments.

(a) The District may optionally prepay 2021A Installment Payments as follows:

(i) The District may prepay all or a portion of the 2021A Installment Payments in accordance with Section 6.01(C) of the Master Contract by depositing cash or

Government Obligations with the Trustee subject to the terms and conditions set forth in Article XI of the Trust Agreement, sufficient to pay the principal of, premium, if any, and interest evidenced by the Certificates to be paid or prepaid with such 2021A Installment Payments; or

(ii) The District may prepay all or a portion of the 2021A Installment Payments from any source of available funds, on any date on which Certificates may be optionally prepaid, by paying (A) all or a portion (in an amount equal to an Authorized Denomination under the Trust Agreement), as elected by the District, of such 2021A Installment Payments, (B) an amount equal to the accrued but unpaid interest on the Certificates to be prepaid from the proceeds of such prepaid 2021A Installment Payments to the date of such prepayment, and (C) an amount equal to any premium to be paid upon the optional prepayment of the Certificates to be prepaid from the proceeds of such prepaid 2021A Installment Payments.

(b) If less than all of the 2021A Installment Payments are prepaid pursuant to this Section then, as of the date of such prepayment pursuant to this Section, the schedule of 2021A Installment Payments attached as Exhibit B hereto shall be recalculated by the District in order to take such prepayment into account. The District shall deliver a copy of such revised schedule to the Trustee and such revised schedule shall automatically supersede and replace the previous form of Exhibit B.

(c) Prepayments of 2021A Installment Payments made pursuant to this Section shall be applied to the payment or prepayment of Certificates as provided in the Trust Agreement.

Section 3.02. Notice. Before making any prepayment pursuant to this Article, the District shall give written notice to the Trustee of its intention to optionally prepay the Certificates at least 30 days prior to the intended Prepayment Date.

Section 3.03. Discharge of Obligations. If all 2021A Installment Payments shall be paid as and when due in accordance with the terms hereof, or prepaid in accordance with Section 3.01 hereof and all other amounts due hereunder and under the Trust Agreement shall be paid or provision shall have been made for the payment thereof, then all agreements, covenants and other obligations of the District hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

## ARTICLE IV

### AMENDMENTS TO MASTER CONTRACT

Section 4.01. Amendment to Master Contract. The District and the Corporation hereby agree to the following amendments to the Master Contract:

(a) The following definition is hereby added to Section 1.01 of the Master Contract:

#### **Encina Wastewater Authority**

“Encina Wastewater Authority” means the Encina Wastewater Authority, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California, and any successors or assigns of the Encina Wastewater Authority or any entity providing services similar to those provided by the Encina Wastewater Authority.



(b) The following definition is hereby added to Section 1.01 of the Master Contract:

**Excluded Principal**

“Excluded Principal” means each payment of principal of any Parity Obligation or any Subordinate Obligation for which there is on file with the Trustee (i) a certificate of an independent municipal advisor to the effect that such Parity Obligation or such Subordinate Obligation is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of an Authorized Officer to the effect that the District intends to pay such principal from the proceeds of Parity Obligations, Subordinate Obligations or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Parity Obligations or such Subordinate Obligations or the obligation of the District to pay such Parity Obligations or Subordinate Obligations from Net Revenues.

(c) The definition of “Annual Debt Service” set forth in Section 1.01 of the Master Contract is hereby amended in its entirety as follows:

“Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Parity Payments required to be made under all Parity Obligations in such Fiscal Year or twelve (12) calendar month period, less any Excluded Principal.

(d) Section 2.06 of the Master Contract is hereby amended in its entirety as follows:

**SECTION 2.06. Rate Stabilization Account.** If and when it deems the establishment of such an account to be necessary or appropriate for the management of its financial affairs, the District may establish and maintain an account designated the “Vallecitos Water District Rate Stabilization Account.” The District may at any time, as determined by the District, deposit in the Rate Stabilization Account any Revenues (subject to the satisfaction of the requirements of Section 2.05) and any other money received and available to be used therefor, and the District may at any time withdraw any or all of the money from the Rate Stabilization Account for inclusion in Adjusted Annual Revenues provided that any such withdrawal may be made up to and including the date two hundred seventy (270) days after the end of the Fiscal Year for which the withdrawal will be included as Adjusted Annual Revenues.

(e) Section 3.01 of the Master Contract is hereby amended in its entirety as follows:

**SECTION 3.01. Conditions for the Execution of Parity Obligations.** The District may at any time issue or execute any Parity Obligations payable as provided herein; provided there shall be on file with the District either:

(A) A certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to 115% of Adjusted Annual Debt Service paid on all Outstanding Parity Obligations during such Fiscal Year or twelve calendar month period, plus the Adjusted Annual Debt Service on the Parity Obligations proposed to be issued or executed during the first twelve (months) after the date of issuance or

incurrence thereof; provided, that for the purpose of providing this Certificate, the District may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(1) An allowance for Net Revenues that would have resulted from any increase or decrease in the rates, fees and charges fixed and prescribed for Service which, during any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated change in Net Revenues that would have resulted from such increase or decrease in rates, fees and charges if it had been in effect for the entire Fiscal Year or twelve (12) calendar month period, and

(2) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user or if it had been in existence for the entire Fiscal Year or twelve (12) calendar month period.

(B) Without regard to paragraph (A) of this Section, the District may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(C) Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the District to issue or execute any Parity Obligations at any time to refund any outstanding Parity Obligations so long as the Annual Debt Service payable by the District for each Fiscal Year with respect to such refunding Parity Obligations is less than or equal to 105% of the Annual Debt Service for each corresponding Fiscal Year for such Parity Obligations being refunded.

(f) Section 4.10 of the Master Contract is hereby amended in its entirety as follows:

(B) The District will prepare and file with the Corporation and the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2021) financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon. The Trustee shall have no obligation to review any such financial statements.

(g) Section 4.13 of the Master Contract is hereby amended in its entirety as follows:

SECTION 4.13. Amount of Rates, Fees and Charges. (a) To the fullest extent permitted by law, the District will fix and prescribe rates, fees and charges for the Service at the commencement of each Fiscal Year which, together with other Revenues, are reasonably expected to yield Adjusted Annual Net Revenues and Net Revenues, as applicable, for such Fiscal Year in an amount not less than the Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the requirements of this Section.

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues or Adjusted Annual Net Revenues to meet the Coverage Requirement shall not constitute a default or an event of default hereunder.

(h) Section 5.02 of the Master Contract is hereby amended to replace the final paragraph of such section in its entirety with the following:

Sixth, to the payment of all other amounts due and payable by the District, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements and amounts payable to the Encina Wastewater Authority other than Maintenance and Operation Costs.

Section 4.02. Effectiveness of Amendments to Master Contract. The amendments to the Master Contract set forth in this Section 4.01 shall become effective in accordance with Section 7.03 of the Master Contract.

## ARTICLE V

### MISCELLANEOUS

Section 5.01. Continuing Disclosure. The District hereby covenants and agrees to comply with the provisions of the Continuing Disclosure Agreement.

Section 5.02. Terms of the Third Supplemental Installment Purchase Contract Subject to the Master Contract. Except as in the Third Supplemental Installment Purchase Contract expressly provided, every term and condition contained in the Master Contract shall apply to the Third Supplemental Installment Purchase Contract with the same force and effect as if the same were herein set forth in at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Third Supplemental Installment Purchase Contract.

Section 5.03. Assignment of the Third Supplemental Installment Purchase Contract. The Corporation, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby unconditionally grants, transfers and assigns to the Trustee, subject to the provisions of the Trust Agreement, without recourse, all of its rights, title and interest hereunder, including the right to receive the 2021A Installment Payments hereunder. To the extent that this Third Supplemental Installment Purchase Contract confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of this Third Supplemental Installment Purchase Contract, the Trustee is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 5.04. Execution in Counterparts. This Third Supplemental Installment Purchase Contract maybe executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Third Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

VALLECITOS WATER DISTRICT

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

VALLECITOS WATER DISTRICT  
FINANCING CORPORATION

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

## **EXHIBIT A**

### **DESCRIPTION OF 2021A PROJECT**

#### **COMPONENT A**

Certain capital improvements undertaken by the Encina Wastewater Authority for the benefit of the District

The San Marcos interceptor project, which consists of approximately 3,400 feet of 42-inch sewer interceptor

#### **COMPONENT B**

Certain capital improvements undertaken by the Encina Wastewater Authority for the benefit of the District

16-inch Emergency Bypass Pipeline Rehabilitation

Meadowlark Failsafe Rehabilitation (Buena Reach)

Montiel Lift Station and Foremain Replacement

Meadowlark Water Reclamation Facility Biological Selector Improvemnts

San Marcos Inceptor Phase 2

Tres-Amigos Water Line

Sage Canyon Tank Refurbishment

Las Posas Water line Replacement

**EXHIBITB**

**SCHEDULE OF 2021A INSTALLMENT PAYMENTS**

<b>Date</b> <b>(August 1)</b>	<b>Principal</b>
----------------------------------	------------------

Pursuant to Section 2.04 of the Third Supplemental Installment Purchase Contract, the 2021A Installment Payments should be made no later than five Business Days preceding the due date therefor. In addition to the foregoing principal payments, the 2021A Installment Payments shall include interest payable on each Interest Payment Date under the Trust Agreement in an amount equal to the interest due on the Certificates on each Interest Payment Date.

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TRUST AGREEMENT

by and among

VALLECITOS WATER DISTRICT

and the

VALLECITOS WATER DISTRICT FINANCING CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION,  
as trustee

Dated as of August 1, 2021

\$ \_\_\_\_\_

VALLECITOS WATER DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
SERIES 2021A

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## TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of August 1, 2021, by and among the VALLECITOS WATER DISTRICT, a county water district duly organized and existing under and by virtue of the laws of the State of California (the “District”), the VALLECITOS WATER DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the “Corporation”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States, as trustee (the “Trustee”);

### WITNESSETH:

In consideration of the mutual covenants contained herein and for other valuable consideration, the parties do hereby agree as follows:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

**SECTION 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the 2021A Certificates and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Master Contract.

#### **Authorized Denominations**

The term “Authorized Denominations” means \$5,000 and any integral multiple thereof.

#### **Authorized Officer**

The term “Authorized Officer” means the President or Secretary of the Board of Directors, the General Manager, Assistant General Manager, Finance Manager, or any other person authorized by the Board of Directors of the District to perform an act or sign a document on behalf of the District under or with respect to this Trust Agreement.

#### **Beneficial Owners**

The term “Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Certificates.

#### **Book-Entry Certificates**

The term “Book-Entry Certificates” means the 2021A Certificates registered in the name of the nominee of DTC, or any successor securities depository for the 2021A Certificates, as the registered owner thereof pursuant to the terms and provisions of Section 2.10 hereof.

### **Certificate of the Corporation**

The term “Certificate of the Corporation” means an instrument in writing signed by the President or the Secretary of the Corporation, or by any other officer of the Corporation duly authorized for that purpose.

### **Certificate of the District**

The term “Certificate of the District” means an instrument in writing signed by the Chair of the Board of Directors or an Authorized Officer, or by any other official of the District duly authorized for that purpose.

### **Certificate Payment Date**

The term “Certificate Payment Date” means, with respect to any 2021A Certificate, the Certificate Payment Date designated therein, which is the August 1 on which the principal component of the 2021A Installment Payments becomes due and payable.

### **Certificate Year**

The term “Certificate Year” will have the meaning set forth in the Tax Certificate.

### **Code**

The term “Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it, or any applicable regulations adopted under the Internal Revenue Code of 1954, as amended.

### **Corporate Trust Office of the Trustee**

The term “Corporate Trust Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be specified to the District by the Trustee in writing.

### **Costs of Delivery**

The term “Costs of Delivery” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, sale, execution and delivery of the 2021A Certificates, including but not limited to costs of preparation and reproduction of documents, printing expenses, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2021A Certificates and any other cost, charge or fee in connection with the original execution and delivery of the 2021A Certificates.

### **Costs of Delivery Fund**

The term “Costs of Delivery Fund” means the fund by that name established pursuant to Section 4.01 hereof.

### **Defeasance Securities**

The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (4) pre-refunded municipal obligations rated not lower than the rating on securities described in clause (2) above.

### **Delivery Date**

The term “Delivery Date” means the date on which the 2021A Certificates are delivered to the original purchaser thereof.

### **Depository**

The term “Depository” means the securities depository acting as Depository pursuant to Section 2.10 hereof.

### **DTC**

The term “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the 2021A Certificates.

### **Event of Default**

The term “Event of Default” shall have the meaning specified in Section 9.02.

### **Fitch**

The term “Fitch” means Fitch, Inc., its successor and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency such term shall be deemed to refer to any other nationally recognized rating agency designated by the District.

### **Information Services**

The term “Information Services” means national information services that disseminate securities redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee.

### **Interest Payment Date**

The term “Interest Payment Date” means [February] 1, 20\_\_ and each February 1 and August 1 thereafter.

### **Investment Agreement**

The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated, at the time of execution, at least two of the three of “A+”, “A1” or “A+” by S&P, Moody’s or Fitch, respectively.

### **Letter of Representations or Representation Letter**

The term “Letter of Representations” or “Representation Letter” means the letter of the District delivered to and accepted by the Depository on or prior to the Delivery Date as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

### **Master Contract**

The terms “Master Contract” means the Master Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, including but not limited to the First Supplemental Installment Purchase Contract, dated June 15, 2005, the Second Supplemental Installment Purchase Contract, dated December 1, 2012 and the Third Supplemental Installment Purchase Contract, dated as of August 1, 2021.

### **Moody’s or Moody’s Investors Service**

The term “Moody’s Investors Service” or “Moody’s” means Moody’s Investors Service, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, such terms shall be deemed to refer to any other nationally recognized rating agency designated by the District.

### **Nominee**

The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

### **Opinion of Counsel**

The term “Opinion of Counsel” means a written opinion of special counsel, appointed and paid by the Corporation or the District.

### **Outstanding**

The term “Outstanding,” when used as of any particular time with reference to Certificates of each series, means (subject to the provisions of Section 8.02) all Certificates theretofore or thereupon executed by the Trustee pursuant hereto, except --

(1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates paid or deemed to have been paid within the meaning of Section 10.01 hereof; and

(3) Certificates in lieu of or in substitution for which other Certificates shall have been executed by the Trustee and delivered pursuant hereto.

### **Owner**

The term “Owner” means any person who shall be the registered owner of any Outstanding Certificate, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.08 hereof.

### **Payment Fund**

The term “Payment Fund” means the Payment Fund established pursuant to Section 4.01 hereof.

### **Participants**

The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

### **Permitted Investments**

The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the District.

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash insured at all times by the Federal Deposit Insurance Corporation; and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series or direct obligations of the World Bank.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank;

Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;

- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's, "A-1+" by S&P and "F-1+" by Fitch and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's, "A-1" by S&P or "F-1" by Fitch and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund rated "AAm", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice for other services;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
  - (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's, S&P or Fitch, or any successors thereto; or
  - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;



- (i) The following municipal obligations: (1) revenue obligations of states or any department, board, agency or authority thereof rated “A-1” or better by Moody’s, “A+” or better by S&P or “A+” or better by Fitch; (2) general obligations of states rated “A3” or better by Moody’s, “A-” or better by S&P or A-” or better by Fitch; (3) adjustable rate revenue obligations of states or any department, board, agency or authority thereof rated “P-1” or better by Moody’s, “A-1” or better by S&P or “F-1” or better by Fitch; (4) fixed rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “A1” or better by Moody’s, “A+” or better by S&P or “A+” or better by Fitch; or (5) adjustable rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “P-1” or better by Moody’s, “A-1” or better by S&P or “F-1” by Fitch;
- (j) Investment Agreements;
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of Government Code § 53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.
- (n) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Investments under this subdivision shall be rated “AA” or better by S&P and Fitch or “Aa2” or better by Moody’s.

The value of the above investments shall be determined as provided in the definition of “Value”.

**Prepayment Date**

The term “Prepayment Date” shall mean the date fixed for prepayment of Certificates.

**Rating Agencies**

The term “Rating Agencies” means S&P, Fitch and Moody’s.

**Rebate Fund**

The term “Rebate Fund” means the Rebate Fund established pursuant to Section 4.01 hereof.

### **Record Date**

The term “Record Date” means the fifteenth day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

### **Requisition of the District**

The term “Requisition of the District” means a written requisition signed by the Chair of the Board of Directors or an Authorized Officer, or by any other official of the District duly authorized for that purpose.

### **S&P**

The term “S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successor thereto.

### **Securities Depositories**

The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the District may designate in a Written Request of the District delivered to the Trustee.

### **Securities Exchange Act**

The term “Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

### **State**

The term “State” means the State of California.

### **Tax Certificate**

The term “Tax Certificate” means the Tax Certificate delivered by the District on the Delivery Date, as the same may be amended or supplemented in accordance with its terms.

### **Third Supplemental Installment Purchase Contract**

The term “Third Supplemental Installment Purchase Contract” means the Third Supplemental Installment Purchase Contract, dated as of August 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms of the Master Contract.

### **Trust Agreement**

The term “Trust Agreement” means this Trust Agreement, dated as of August 1, 2021, by and among the District, the Corporation and the Trustee, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof.

**Trustee**

The term “Trustee” means U.S. Bank National Association, a national banking association existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in its place as provided in Section 7.02.

**2021A Certificates**

The term “2021A Certificates” means the Vallecitos Water District Revenue Certificates of Participation, Series 2021A delivered in the aggregate principal amount of \$\_\_\_\_\_.

**U.S. Governmental Securities Business Day**

The term “U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading U.S. government securities.

**Value**

The term “Value,” shall be determined as of the end of each month, means that the value of any investments, which shall be the face amount thereof, plus accrued interest.

**Written Request of the Corporation**

The term “Written Request of the Corporation” means an instrument in writing signed by the President or the Secretary of the Corporation, or by any other officer of the Corporation duly authorized for that purpose.

**Written Request of the District**

The term “Written Request of the District” means an instrument in writing signed by the President of the Board of Directors or an Authorized Officer of the District, or by any other official of the District duly authorized for that purpose.

**SECTION 1.02. Equal Security.** In consideration of the acceptance of the 2021A Certificates by the Owners thereof, the Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements, conditions, covenants and provisions set forth herein to be performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any 2021A Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### CONDITIONS AND TERMS OF CERTIFICATES

**SECTION 2.01. Authorization of Certificates.** The Trustee is hereby authorized and directed, upon receipt of a Written Request of the District to execute and deliver the 2021A Certificates in the aggregate principal amount of \$\_\_\_\_\_, evidencing individual interests in 2021A Installment Payments to be paid by the District under the Third Supplemental Installment Purchase Contract.

**SECTION 2.02. Denominations, Method and Place of Payment and Dating of Certificates.** The 2021A Certificates shall be dated the Delivery Date and shall be issued only in fully registered Certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the schedule set forth in Section 2.03 hereof. The interest, principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates shall be payable in lawful money of the United States of America. The interest evidenced and represented by the 2021A Certificates shall be payable on their respective Interest Payment Dates by check mailed by the Trustee to the respective Owners thereof as shown in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 at the close of business on the Record Date next preceding each Interest Payment Date (except that in the case of an Owner of one million dollars (\$1,000,000) or greater in aggregate principal amount of Outstanding Certificates, such payment may, at such Owner's written request, be made by wire transfer of immediately available funds to an account within the United States in accordance with written instructions provided by such Owner prior to the applicable Record Date), and the principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates shall be payable on their respective Certificate Payment Dates or on prepayment prior thereto by check delivered by the Trustee upon surrender thereof by the respective Owners thereof at the Corporate Trust Office of the Trustee. The Trustee may treat the Owner of any 2021A Certificate as the absolute owner of such 2021A Certificate for all purposes, whether or not such 2021A Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such 2021A Certificate shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by such 2021A Certificate to the extent of the sum or sums so paid. All Certificates paid pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

**SECTION 2.03. Payment Dates of Certificates.** The 2021A Certificates evidence and represent interest from the Interest Payment Date next preceding the date of execution thereof by the Trustee, unless such date of execution is after the Record Date, in which case they shall evidence and represent interest from such Interest Payment Date; provided, however, with respect to the first Interest Payment Date, the 2021A Certificates shall evidence and represent interest from the Delivery Date; provided, further, that if as of the date of execution of any 2021A Certificate interest shall not have been paid when due with respect to any Outstanding Certificates, interest shall be payable from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Outstanding Certificates.

The 2021A Certificates shall have Certificate Payment Dates of August 1 in the years and shall evidence and represent principal components of 2021A Installment Payments in the amounts, with interest thereon at the rates, as follows:

### 2021A CERTIFICATES

<i>Certificate Payment Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
	\$	%

The interest evidenced and represented by the 2021A Certificates shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months and shall become due and payable on the respective Interest Payment Dates, beginning on the Interest Payment Date following their respective execution dates and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the 2021A Installment Payments constituting interest components becoming due and payable on the Interest Payment Dates in each year.

The principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates shall become due and payable on their respective Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the 2021A Installment Payments constituting principal and prepayment premium components, if any, becoming due and payable on the Certificate Payment Dates or on prepayment prior thereto in each year.

**SECTION 2.04. Forms of Certificates.** The 2021A Certificates, together with the assignment to appear thereon, shall be substantially in the forms set forth on Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

**SECTION 2.05. Execution of Certificates.** The 2021A Certificates shall be executed by the Trustee by the manual signature of an authorized officer of the Trustee.

**SECTION 2.06. Transfer and Payment of Certificates.** Any 2021A Certificate may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such 2021A Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any 2021A Certificate or 2021A Certificates shall be

surrendered for transfer, the Trustee shall execute and deliver a new 2021A Certificate or 2021A Certificates of like series and of authorized denominations of the same Certificate Payment Date evidencing and representing the same aggregate principal amount. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Trustee may deem and treat the Owner of any 2021A Certificate as the absolute owner of such 2021A Certificates for the purpose of receiving payment thereof and for all other purposes, whether such 2021A Certificates shall be overdue or not, and the Trustee shall not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by the 2021A Certificates shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such 2021A Certificate to the extent of the sum or sums so paid.

The Trustee shall not be required to register the transfer of (i) any 2021A Certificates during the period established by the Trustee for selection of 2021A Certificates for prepayment, or (ii) any 2021A Certificate which has been selected for prepayment in whole or in part.

**SECTION 2.07. Exchange of Certificates.** 2021A Certificates may be exchanged at the Corporate Trust Office of the Trustee for a 2021A Certificate evidencing and representing a like aggregate principal amount of 2021A Certificates of authorized denominations of the same series and maturity. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege.

The Trustee shall not be required to exchange (i) any 2021A Certificates during any period established by the Trustee for selection of 2021A Certificates for prepayment, or (ii) any 2021A Certificates which has been selected for prepayment in whole or in part.

**SECTION 2.08. Registration Books.** The Trustee will keep at its office sufficient books for the registration of the ownership, transfer and exchange of the 2021A Certificates which shall at all times be open to inspection by the District, the Corporation or any Owner or his agent duly authorized in writing during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership or transfer and exchange of the 2021A Certificates in such books as hereinabove provided.

**SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Certificates.** If any 2021A Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon execute and deliver a new 2021A Certificate of like series, tenor, and Authorized Denominations of the same Certificate Payment Date evidencing and representing the same aggregate principal amount in exchange and substitution for the 2021A Certificate so mutilated. Every mutilated 2021A Certificate so surrendered to the Trustee shall be cancelled by the Trustee.

If any 2021A Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon execute and deliver a new 2021A Certificate of like series, tenor and Authorized Denominations of the same Certificate Payment Date evidencing and representing the same

aggregate principal amount in lieu of and in substitution for the 2021A Certificate so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new 2021A Certificate executed and delivered under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2021A Certificate executed and delivered under the provisions of this Section in lieu of any 2021A Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other 2021A Certificates executed and delivered under this Trust Agreement. Neither the District, the Corporation nor the Trustee shall be required to treat both the original 2021A Certificate and any replacement 2021A Certificate as being Outstanding for the purpose of determining the principal amount of 2021A Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of 2021A Certificates Outstanding hereunder, but both the original and replacement 2021A Certificate shall be treated as one and the same.

#### **SECTION 2.10. Special Covenants as to Book-Entry Only System for Certificates.**

(a) Except as otherwise provided in subsections (b) and (c) of this Section 2.10, all of the 2021A Certificates initially executed and delivered shall be registered in the name of Cede & Co., as nominee for DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any 2021A Certificates registered in the name of Cede & Co. shall be made on each Interest Payment Date for such 2021A Certificates to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The 2021A Certificates initially shall be executed and delivered in the form of a single executed fully registered certificate for each stated maturity of each series of such 2021A Certificates, representing the aggregate principal amount of the 2021A Certificates of such maturity. Upon initial issuance, the ownership of all such 2021A Certificates shall be registered in the registration records maintained by the Trustee pursuant to Section 2.08 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the District, the Corporation and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the 2021A Certificates registered in its name for the purposes of payment of the principal or prepayment price and interest evidenced and represented by the 2021A Certificates, selecting the 2021A Certificates or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners hereunder, registering the transfer of the 2021A Certificates, obtaining any consent or other action to be taken by Owners of the 2021A Certificates and for all other purposes whatsoever; and neither the Trustee, the District nor the Corporation or any paying agent shall be affected by any notice to the contrary. Neither the Trustee, the District nor the Corporation or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.10, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the 2021A Certificates under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or prepayment price or interest evidenced and represented by the 2021A Certificates, (iii) any notice which is permitted or required to be given to Owners of 2021A Certificates hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial prepayment of the 2021A Certificates, or (v) any consent given or other action taken by DTC as Owner of 2021A Certificates.

The Trustee shall pay all principal and premium, if any, and interest evidenced and represented by the 2021A Certificates only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the District's obligations with respect to the payment of the principal and premium, if any, and interest evidenced and represented by the 2021A Certificates to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the 2021A Certificates will be transferable to such new nominee in accordance with subsection (f) of this Section 2.10.

(c) In the event that the District determines that the 2021A Certificates should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the District, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the 2021A Certificates will be transferable in accordance with subsection (f) of this Section 2.10. DTC may determine to discontinue providing its services with respect to the 2021A Certificates or a portion thereof, at any time by giving written notice of such discontinuance to the District or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the 2021A Certificates will be transferable in accordance with subsection (f) of this Section 2.10. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the District within 90 days after the District receives notice or becomes aware of such condition, as the case may be, then this Section 2.10 shall no longer be applicable and the Trustee shall execute and deliver certificates representing the 2021A Certificates as provided below. Whenever DTC requests the District and the Trustee to do so, the Trustee and the District will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the 2021A Certificates then Outstanding. In such event, the 2021A Certificates will be transferable to such securities depository in accordance with subsection (f) of this Section 2.10, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Certificates Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest with respect to each such 2021A Certificate and all notices with respect to each such 2021A Certificate shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Trustee is hereby authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Trust Agreement.

(f) In the event that any transfer or exchange of 2021A Certificates is authorized under subsection (b) or (c) of this Section 2.10, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the 2021A Certificates to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07. In the event the 2021A Certificates are issued to Owners other than Cede & Co., its successor as nominee for DTC as holder of all the 2021A Certificates, another securities depository as holder of all the 2021A Certificates, or the nominee of



such successor securities depository, the provisions of Sections 2.06 and 2.07 shall also apply to, among other things, the registration, exchange and transfer of the 2021A Certificates and the method of payment of principal, premium, if any, and interest evidenced and represented by the 2021A Certificates.

### ARTICLE III

#### PREPAYMENT OF CERTIFICATES

**SECTION 3.01. Prepayment.** The 2021A Certificates shall be subject to prepayment prior to their stated maturities only as set forth below:

(a) **Extraordinary Prepayment from Insurance or Condemnation Proceeds.** The 2021A Certificates are subject to extraordinary prepayment by the District on any date prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, as a whole or in part by lot within each Certificate Payment Date, in such order of prepayment as the District may determine, in integral multiples of Authorized Denominations, from payments made by the District from the net proceeds received by the District due to the damage, destruction or condemnation of all or any portion of the Enterprise, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2021A Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

(b) **Optional Prepayment.** The 2021A Certificates with Certificate Payment Dates on or after August 1, 20\_\_ are subject to optional prepayment prior to their respective Certificate Payment Dates by the District on any date on or after August 1, 20\_\_, upon notice as hereinafter provided, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of five thousand dollars (\$5,000), from any source of available funds, at a prepayment price equal to 100% of the principal amount to be prepaid, plus interest, if any, accrued with respect thereto to the date of prepayment, without premium.

**SECTION 3.02. Selection of Certificate for Prepayment.** If less than all Outstanding Certificates maturing by their terms on any one date are to be prepaid at any one time, and no other method of selection is specified in Section 3.01 above, the Trustee shall select the 2021A Certificates of such maturity date to be prepaid in any manner that it deems appropriate and fair and shall promptly notify the District in writing of the numbers of the 2021A Certificates so selected for prepayment. For purposes of such selection, 2021A Certificates shall be deemed to be composed of \$5,000 multiples and any such multiple may be separately prepaid or redeemed. In the event the term 2021A Certificates are designated for prepayment, the District may designate which sinking account payments are allocated to such prepayment.

**SECTION 3.03. Notice of Prepayment.** Notice of prepayment shall be given by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the 2021A Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) the Information Services; provided, however, that so long as a book-entry system is used for the 2021A Certificates, the Trustee will send notice of prepayment only to the Securities Depositories and Information Services. Notice of prepayment to the Securities Depositories shall be given by registered mail, other electronically secure means, or any other method agreed upon and notice of prepayment to the Information Services shall be given by mail, other electronically secure means, or

any other method agreed upon. Each notice of prepayment shall state the series, prepayment date, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the 2021A Certificates of such maturity to be prepaid and, in the case of 2021A Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that on the prepayment date there will become due and payable on the 2021A Certificates to be prepaid, all of the principal amount thereof on the prepayment date, and that from and after such prepayment date interest evidenced and represented by the 2021A Certificates shall cease to accrue, and shall require that such 2021A Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure by the Trustee to give notice pursuant to this Section to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for prepayment. Failure by the Trustee to give notice of prepayment pursuant to this Section to any one or more of the respective Owners of any 2021A Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Owners to whom such notice was given.

In the event of prepayment of 2021A Certificates (other than sinking fund prepayments), the Trustee shall give notice of optional prepayment, other than any notice that refers to 2021A Certificates that are to be prepaid from proceeds of a refunding bond issue, only if sufficient funds have been deposited with the Trustee to pay the applicable prepayment price of the 2021A Certificates to be prepaid. The District shall give the Trustee written notice of its intention to optionally prepay 2021A Certificates at least 30 days prior to the intended Prepayment Date. In the event the District elects to optionally prepay the 2021A Certificates in part, it shall deliver to the Trustee a schedule of revised 2021A Installment Payments and mandatory prepayments.

The District may, at its option, prior to the date fixed for prepayment in any notice of optional prepayment rescind and cancel such notice of prepayment by Written Request of the District and the Trustee shall give notice of such cancellation to the recipients of the notice of prepayment being cancelled.

**SECTION 3.04. Effect of Prepayment.** If notice of prepayment has been duly given as aforesaid and money for the payment of the prepayment price of the 2021A Certificates called for prepayment is held by the Trustee in Payment Fund, as the case may be, then on the prepayment date designated in such notice, 2021A Certificates shall become due and payable, and from and after the date so designated interest evidenced and represented by the 2021A Certificates so called for prepayment shall cease to accrue, and the Owners of such 2021A Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof. Any prepayment of 2021A Certificates pursuant to Section 3.01 hereof shall cause the schedule of 2021A Installment Payments set forth in Exhibit B to the Third Supplemental Installment Purchase Contract to be recalculated by the District in accordance with Section 3.01 of the Third Supplemental Installment Purchase Contract. Such schedule shall be furnished by the District to the Trustee. All Certificates prepaid, pursuant to the provisions of this Article shall be cancelled by the Trustee and shall be delivered to, or upon the order of, the District and shall not be redelivered.

## ARTICLE IV

### ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

**SECTION 4.01. Establishment of Funds.** The Trustee shall establish and maintain the following special trust funds to be held by the Trustee: (i) Costs of Delivery Fund, (ii) the Payment Fund and (iii) the Rebate Fund.

**SECTION 4.02. Delivery of Certificates.** The Trustee is hereby authorized to execute and deliver the 2021A Certificates to the purchaser thereof upon receipt of a Written Request of the District (concurring in by the Corporation) and upon receipt of the proceeds of sale thereof.

**SECTION 4.03. Application of Proceeds.** Upon the receipt of the proceeds of the 2021A Certificates when the same shall have been duly executed and delivered, the Trustee shall (i) deposit into the Costs of Delivery Fund the amount of \$\_\_\_\_\_ and (ii) transfer to the District the amount of \$\_\_\_\_\_ for deposit in the Improvement Fund. The Trustee may establish a temporary fund or account in its records to facilitate such deposit and transfer.

**SECTION 4.04. Application of Costs of Delivery Fund.** The moneys in the Costs of Delivery Fund shall be used and withdrawn by the Trustee to pay the Costs of Delivery upon submission of Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. On the six month anniversary of the execution and delivery of the 2021A Certificates, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Delivery Fund shall be transferred by the Trustee to the Payment Fund and the Costs of Delivery Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Delivery Fund shall be retained in the Costs of Delivery Fund.

## ARTICLE V

### 2021A INSTALLMENT PAYMENTS

**SECTION 5.01. Pledge of 2021A Installment Payments.** All 2021A Installment Payments shall be paid directly by the District to the Trustee and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All 2021A Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof. The 2021A Installment Payments shall be deposited by the Trustee as and when received in the Payment Fund, which fund the Trustee has established and maintains so long as any 2021A Certificates are Outstanding. All money in the Payment Fund shall be held in trust by the Trustee for the benefit of the Owners of the 2021A Certificates. The District and the Corporation hereby pledge and grant a lien on the Payment Fund to the Trustee for the benefit of the Owners of the 2021A Certificates.

**SECTION 5.02. Receipt and Deposit of 2021A Installment Payments.**

(a) In order to carry out and effectuate the pledge contained herein, subject to the provisions of Section 5.01, the Trustee shall deposit the 2021A Installment Payments when and as

received in trust in the Payment Fund for the benefit of the Owners of the 2021A Certificates. All 2021A Installment Payments shall be accounted for through and held in trust. All 2021A Installment Payments deposited with the Trustee as herein provided shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Trustee.

(b) Money in the Payment Fund shall be used and withdrawn by the Trustee for the purpose of paying (i) the interest evidenced and represented by the 2021A Certificates as it shall become due and payable (including accrued interest evidenced and represented by the 2021A Certificates purchased or prepaid prior to maturity), and (ii) the principal evidenced and represented by the 2021A Certificates as it shall become due and payable.

(c) Any moneys which, pursuant to Section 3.01 of the Third Supplemental Installment Purchase Contract, are to be used to prepay the 2021A Certificates pursuant to Section 3.01 hereof shall be deposited by the Trustee in the Payment Fund. The Trustee shall, on the scheduled prepayment date, withdraw from the Payment Fund and pay to the Owners entitled thereto an amount equal to the prepayment price of the 2021A Certificates to be prepaid on such date plus interest evidenced and represented by the 2021A Certificates to the Prepayment Date.

**SECTION 5.03. Investment of Moneys in Funds.** Moneys in the funds established with the Trustee hereunder shall, in accordance with a Written Request of the District, be invested by the Trustee in Permitted Investments. The Trustee may conclusively rely on any direction contained in a Written Request of the District to invest in investments that such investments are Permitted Investments. In the absence of a Written Request of the District, the Trustee shall invest moneys in clause (g) of the definition of Permitted Investments. The obligations in which moneys in said funds are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out hereunder. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment required under this Trust Agreement. Notwithstanding anything herein to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with this Trust Agreement. For purposes of determining the amount of deposit in any fund held hereunder, all Permitted Investments credited to such fund shall be valued at the market value thereof. Except as otherwise provided in this Section, Permitted Investments representing an investment of moneys attributable to any fund and all investment profits or losses thereon shall be deemed at all times to be a part of said fund. To the extent that Permitted Investments are registrable securities, such Permitted Investments shall be registered in the name of the Trustee.

The Trustee may act as principal or agent in the acquisition or disposition of investments and may commingle moneys in funds and accounts for the purpose of investment.

**SECTION 5.04. Application of the Rebate Fund.**

(a) Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the 2021A Certificates will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. Within the Rebate Fund, there shall be established two separate accounts designated the “Rebate Account” and the “Alternative Penalty Account.” All money at any time deposited in the Rebate Account or the

Alternative Penalty Account shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the 2021A Certificates will not be adversely affected if such requirements are not satisfied.

(b) The following provisions relate to the Rebate Account and the Alternate Penalty Account of the Rebate Fund:

(1) Rebate Account. The following requirements shall be satisfied with respect to the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Certificate Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (*e.g.*, the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Certificate Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each applicable Certificate Year, upon the written direction of a representative of the District, an amount shall be deposited to the Rebate Account by the Trustee from any funds legally available for such purpose (as specified by the District in the aforesaid written direction), if and to the extent required so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (b)(1). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from a representative of the District, the Trustee shall withdraw the excess from the Rebate Account and then credit the excess to the Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by a representative of the District, to the United States Treasury, out of amounts in the Rebate Account,

(X) Not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each applicable fifth Certificate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Certificate Year; and

(Y) Not later than 60 days after the payment of all the 2021A Certificates, an amount equal to 100% of the Rebatable

Arbitrage calculated as of the end of such applicable Certificate Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (b)(1) shall be made to the Internal Revenue Service Center on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(2) Alternative Penalty Account.

(i) **Six-Month Computation.** If the 1½% Penalty has been elected, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(ii) **Six-Month Transfer.** Within 85 days of the close of each Six-Month Period, upon the written direction of a representative of the District, the Trustee shall deposit in the Alternative Penalty Account from any legally available source of funds (as specified by the District in the aforesaid written direction), if and to the extent required, so that the balance in the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in Subsection (b)(2)(i) above. In the event that immediately following the transfer provided in the previous sentence, the amount then on deposit to the credit of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by Subsection (b)(2)(iii) below, the Trustee, at the written direction of a representative of the District, shall withdraw the excess from the Alternative Penalty Account and credit the excess to the Payment Fund.

(iii) **Payment to the Treasury.** The Trustee shall pay, as directed in writing by a representative of the District, to the United States Treasury, out of amounts in the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from the Alternative Penalty Account, the amount in such account is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from any legally available source of funds equal to such deficiency into the Alternative Penalty Account prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (b)(2) shall be made to

the Internal Revenue Service on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T or shall be made in such other manner as provided under the Code.

(c) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after prepayment and payment of the principal and interest evidenced and represented by the 2021A Certificates, the payments described in Subsection (b)(1)(iii) or (b)(2)(iii) (whichever is applicable), may be withdrawn by the District and utilized in any manner by the District.

(d) Survival of Defeasance. Notwithstanding anything in this Section or this Trust Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the 2021A Certificates.

(e) Duty of Trustee. The Trustee shall be fully protected and shall be deemed to have complied with the provisions of this Section 5.04 if it complies with the written directions of the District delivered pursuant to this Section 5.04 and the Trustee shall have no responsibility to enforce compliance by the District with the Tax Certificate.

## ARTICLE VI

### COVENANTS

**SECTION 6.01. Compliance with Trust Agreement; Compliance of Laws and Regulations.** The Trustee will not execute or deliver any 2021A Certificates in any manner other than in accordance with the provisions hereof; and neither the Corporation nor the District will suffer or permit any default by them to occur hereunder, but each will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by them.

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

**SECTION 6.02. Accounting Records and Statements.** The Trustee shall keep proper books of record and account in accordance with industry standards in which complete and correct entries shall be made of all transactions made by it relating to the receipt, investment, disbursement, allocation and application of the 2021A Installment Payments and the proceeds of the 2021A Certificates or the obligation which they evidence and represent. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, and (d) the amounts and dates of any payments made with respect thereto. Such records shall be open to inspection by any Owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions and upon reasonable written request during the regular business hours of the Trustee on any Business Day. In addition, the Trustee shall provide the

District with a monthly accounting of the funds and accounts held hereunder; provided, that the Trustee shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

**SECTION 6.03. Third Supplemental Installment Purchase Contract and Master Contract.** The Corporation will at all times maintain and vigorously enforce all of its rights under the Master Contract, and will promptly collect or cause to be collected all 2021A Installment Payments as the same become due under the Third Supplemental Installment Purchase Contract, and will promptly and vigorously enforce its rights against any person who does not pay such 2021A Installment Payments as they become due under the Master Contract. The Corporation and 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 Third Supplemental Installment Purchase Contract by the purchaser thereunder.

**SECTION 6.04. Prosecution and Defense of Suits.** The District will promptly 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 or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

The District will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the 2021A Installment Payments or involving the rights of the Trustee hereunder; provided that the Trustee at its election may appear in and defend any such suit, action or proceeding.

**SECTION 6.05. Further Assurances.** Whenever and so often as requested to do so by the Trustee, the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

**SECTION 6.06. Recordation and Filing.** The District will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the money in the Payment Fund hereunder in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the respective Owners and the rights of the Trustee hereunder (with copies of each such document being forwarded to the Trustee), and the District will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the money in the funds heretofore described.

**SECTION 6.07. Tax Covenants.** Notwithstanding any other provision of this Trust Agreement, and except as may otherwise be approved by an of Special Counsel that the exclusion from gross income of interest on the 2021A Certificates will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code



necessary to preserve such exclusion from gross income with respect to the 2021A Certificates and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the 2021A Certificates or of any other moneys or property which would cause the 2021A Certificates to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2021A Certificates or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2021A Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2021A Certificates or take or omit to take any action that would cause the 2021A Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2021A Certificates pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2021A Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2021A Certificates to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2021A Certificates for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2021A Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from causing the Trustee to execute and deliver, Certificates the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

## ARTICLE VII

### THE TRUSTEE

**SECTION 7.01. Employment and Duties of the Trustee.** The Corporation and the District hereby appoint and employ U.S. Bank National Association, in [Los Angeles, California], as Trustee to receive, deposit and disburse the 2021A Installment Payments as provided herein, to prepare, execute, deliver, transfer, exchange and cancel the 2021A Certificates as provided herein, to pay the interest and principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates to the Owners thereof as provided herein and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof.

By executing and delivering the Trust Agreement, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied covenants or obligations shall be read herein against the Trustee.

Prior to any resignation by the Trustee pursuant to Section 7.02, the Trustee will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on it by contract, or prescribed by any state or federal law, or by any officer, board or commission having jurisdiction or control over the Trustee, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its business, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

Whenever provision is made herein for the cancellation by the Trustee of any 2021A Certificates, the Trustee shall destroy such 2021A Certificates and deliver a certificate of such destruction to the District.

#### **SECTION 7.02. Duties, Immunities and Liabilities of Trustee.**

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, 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 Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, upon thirty (30) days' written notice to the Trustee, the District may remove the Trustee at any time and shall remove the Trustee at any time requested to do so by an instrument or concurrent instruments in writing, or in the case of the 2021A Certificates, the Owners of the 2021A Certificates of not less than a majority in aggregate amount of Certificates then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the District and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the certificate register. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within ninety (90) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the District, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon,

after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the District or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Trust Agreement shall be a trust company or bank having trust powers, having a corporate trust office in California, the combined capital, surplus and undivided profits of such trust company or bank (or in the event that such trust company or bank is a member of a bank holding company system, of its bank holding company) of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or payment of the 2021A Installment Payments, the maintenance of insurance as required by the Master Contract or reviewing any report or certificate required to be provided hereunder or under the Master Contract.

(h) The Trustee shall not be accountable for the use or application by the District, the Corporation or any other party of any funds which the Trustee has released under this Trust Agreement.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

**SECTION 7.03. Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from

any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 7.02, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**SECTION 7.04. Compensation and Indemnification.** The District shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the Trustee for reasonable expenses (including reasonable fees and expenses of its attorneys) incurred by the Trustee in the performance of its obligations hereunder.

The District agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Trust Agreement, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such indemnity shall survive the termination or discharge of the Trust Agreement and resignation or removal of the Trustee.

**SECTION 7.05. Liability of Trustee.**

(a) The recitals of facts herein and in the 2021A Certificates contained shall be taken as statements of the District, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Trust Agreement, the Master Contract or of the 2021A Certificates, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the 2021A Certificates assigned to or imposed upon it. The Trustee shall, however be responsible for its representations contained in its certificate of execution on the 2021A Certificates. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2021A Certificates with the same rights it would have if it were not Trustee or and, to the extent permitted by law, may act as depositary 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, whether or not such committee shall represent the Owners of a majority in aggregate amount of 2021A Certificates then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the 2021A Certificates, of not less than 25% in aggregate amount of 2021A Certificates, at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Agreement, except for actions arising from the negligence or willful misconduct of the Trustee. The

permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. Except as otherwise expressly provided herein, and subject to Section 7.02, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the 2021A Certificates, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(f) The Trustee makes no representations with respect to any information, statement, or recital in, and shall have no liability with respect to, any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2021A Certificates.

(g) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(h) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

**SECTION 7.06. Right to Rely on Documents.** The Trustee shall be protected in acting, and may conclusively rely, upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and need not conduct any independent investigation of the matters covered therein. The Trustee may consult with counsel, who may be counsel but need not of or 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 and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee 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) may be deemed to be conclusively proved and established by a 2021A Certificate of the District, and such 2021A Certificate of the District shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such 2021A Certificate of the District, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

**SECTION 7.07. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

## ARTICLE VIII

### AMENDMENT OF THE TRUST AGREEMENT

**SECTION 8.01. Amendment of the Trust Agreement.** (a) This Agreement and the rights and obligations of the District and of the Owners of the 2021A Certificates and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2021A Certificates then Outstanding, exclusive of 2021A Certificates disqualified as provided in Section 8.02 hereof, shall have been filed, provided, however, that no such modification or amendment shall (1) extend the stated maturities of the 2021A Certificates, or reduce the rate of interest or yields-to-maturity, as the case may be, represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each 2021A Certificate so affected, or (2) reduce the aforesaid percentage of Owners of 2021A Certificates whose consent is required for the execution of any amendment or modification of this Agreement, or (3) modify any of the rights or obligations of the Trustee or the Corporation without its written consent thereto.

(b) This Agreement and the rights and obligations of the Corporation and the District and of the Owners of the 2021A Certificates may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any 2021A Certificates, but only to the extent permitted by law and only for any one or more of the following purposes —

(1) to add to the covenants and agreements of the Corporation or the District contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the District, and which shall not adversely affect the interests of the Owners of the 2021A Certificates;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Corporation or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the 2021A Certificates; and

(3) to make any other amendments or modifications as may be determined by the District and the Corporation which are not materially adverse to the interests of the Owners of the 2021A Certificates.

**SECTION 8.02. Disqualified 2021A Certificates.** 2021A Certificates owned or held by or for the account of the Corporation or the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding 2021A Certificates provided in this article, and shall not be entitled to consent to or take any other action provided in this article.

**SECTION 8.03. Endorsement or Replacement of 2021A Certificates After Amendment.** After the effective date of any action taken as hereinabove provided, the Corporation may determine that the 2021A Certificates may bear a notation by endorsement in form approved by the Corporation as to such action, and in that case upon demand of the Owner of any Outstanding 2021A Certificates and presentation of his 2021A Certificate for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such 2021A Certificate.

If the Corporation or the District shall so determine, new 2021A Certificates so modified as, in the opinion of the Corporation or the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding 2021A Certificate such new 2021A Certificates shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for 2021A Certificates then Outstanding upon surrender of such Outstanding 2021A Certificates.

**SECTION 8.04. Amendment by Mutual Consent.** The provisions of this article shall not prevent any Owner from accepting any amendment as to the particular 2021A Certificates owned by him, provided that due notation thereof is made on such 2021A Certificates.

## ARTICLE IX

### EVENTS OF DEFAULT AND REMEDIES OF OWNERS

**SECTION 9.01. Notice of Non-Payment.** In the event of delinquency in the payment of any 2021A Installment Payments due by the District pursuant to the Third Supplemental Installment Purchase Contract, the Trustee shall, after one business day following the date upon which such delinquent Installment Payment was due, as soon as practicable give written notice of the delinquency and the amount of the delinquency to the District and the Corporation.

**SECTION 9.02. Action on Default or Termination.** Upon the occurrence of an Event of Default (as that term is defined in the Master Contract), which event shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default, the Trustee shall be entitled upon notice in writing to the District, to exercise the remedies provided to the Corporation in the Master Contract.

**SECTION 9.03. Proceedings by Trustee.** Upon the happening and continuance of any Event of Default the Trustee shall do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, to enforce its rights against the Corporation or the District or any director, officer or employee of the District, and to compel the Corporation or the District or any such director, officer or employee of the District to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained herein required to be observed or performed by it or him;

(b) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(c) by suit in equity upon the happening of an Event of Default hereunder to require the Corporation and the District and the directors, officers and employees of the District to account as the trustee of an express trust.

**SECTION 9.04. Non-Waiver.** A waiver of any default hereunder or breach of any obligation by the Trustee hereunder or by the Corporation or the District under the Master Contract shall not affect any subsequent default hereunder or any subsequent breach of an obligation by the Trustee hereunder or impair any rights or remedies on any such subsequent default hereunder or on any such subsequent breach of an obligation by the Trustee hereunder. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default hereunder shall impair any such

right or remedy or shall be construed to be a waiver of any such default hereunder or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

**SECTION 9.05. Application of Funds.** All moneys on deposit in the funds and accounts held hereunder (other than the Rebate Fund) and all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this article or of Article IV of the Master Contract shall be deposited in the Payment Fund, and shall be applied by the Trustee in the following order and upon presentation of the several 2021A Certificates and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, Costs and Expenses: ratably to the payment of the costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, accountants and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the 2021A Certificates then due, and, if the amount available shall not be sufficient to pay in full any payment or payments of interest coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any 2021A Certificates which shall have become due, whether on the Certificate Payment Date or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest evidenced and represented by the 2021A Certificates to be paid at a rate equal to the rate or rates of interest then applicable to the 2021A Certificates if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the 2021A Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of interest, principal and prepayment premiums, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

**SECTION 9.06. Remedies Not Exclusive.** No remedy conferred herein upon or reserved herein to the Trustee is intended to be exclusive and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given hereunder or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

**SECTION 9.07. No Liability by the Corporation to the Owners.** Except as expressly provided herein, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the 2021A Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Master Contract or herein required to be observed or performed



by it, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

**SECTION 9.08. No Liability by the District to the Owners.** Except for the payment when due of the 2021A Installment Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the Master Contract or herein required to be observed or performed by it, the District shall not have any obligation or liability to the Owners with respect hereto or the preparation, execution, delivery, transfer, exchange or cancellation of the 2021A Certificates or the receipt, deposit or disbursement of the 2021A Installment Payments by the Trustee, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

**SECTION 9.09. No Liability by the Trustee to the Owners.** Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the 2021A Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Master Contract or herein required to be observed and performed by the District. The recitals of facts, covenants and agreements contained herein and in the 2021A Certificates shall be taken as statements, covenants and agreements of the District and the Corporation, and the Trustee neither assumes any responsibility for the accuracy of the same, nor makes any representations as to the validity or sufficiency of the Trust Agreement or of the 2021A Certificates nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the 2021A Certificates assigned to or imposed upon the Trustee.

**SECTION 9.10. Actions by the Trustee as Attorney-in-Fact.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated, and the Trustee is hereby appointed (and the successive respective Owners, by taking and holding the same, shall be conclusively deemed so to have appointed the Trustee) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any suit, action, or proceeding and to do perform any and all acts and things for and on behalf of the respective Owners, as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; provided, that the Trustee need not institute any such suit, action or proceeding until it shall have been first provided with indemnity adequate to it.

**SECTION 9.11. Power of the Trustee to Control Proceedings.** In the event that the Trustee, upon the occurrence 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, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the 2021A Certificates with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

## **ARTICLE X**

### **DEFEASANCE**

#### **SECTION 10.01. Discharge of Certificates and Trust Agreement.**

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Certificates the interest and principal and prepayment premiums, if any, evidenced and represented thereby at the times and in the manner stipulated herein and therein, then such Owners evidenced and represented thereby shall cease to be entitled to the pledge of and lien on the moneys in the Payment Fund, as provided herein, and all agreements, covenants and other obligations of the Corporation and the District to said Owners hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District all money or securities held by it pursuant hereto which are not required for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented thereby.

(b) Any Outstanding Certificates shall on their Certificate Payment Dates or their dates of prepayment prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such 2021A Certificates which is sufficient to pay the interest and principal and prepayment premiums, if any, evidenced and represented by such 2021A Certificates payable on and prior to their Certificate Payment Dates or their dates of prepayment prior thereto.

Any Outstanding 2021A Certificates shall prior to their Certificate Payment Date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such 2021A Certificates are to be prepaid on any date prior to their respective Certificate Payment Date, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 3.03 of this Trust Agreement, notice of prepayment of such 2021A Certificates on said prepayment date, said notice to be given in accordance with Section 3.03 of this Trust Agreement, (2) there shall have been irrevocably deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant be sufficient to pay when due the interest evidenced and represented by such 2021A Certificates on and prior to their respective Certificate Payment Date or prepayment date thereof, as the case may be, (3) in the event such 2021A Certificates are not by their terms subject to prepayment within the next succeeding sixty (60) days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to provide as soon as practicable, a notice to the Owners of such 2021A Certificates that the deposit required by clause (2) above has been made with the Trustee and that such 2021A Certificates are deemed to have been paid in accordance with this Section and stating the maturity date or prepayment date upon which money is to be available for the payment of the principal of and prepayment premiums, if any, on such 2021A Certificates, and (4) in the case of Book-Entry Certificates, the Trustee shall give notice to the Depository of the prepayment of all or part of such Book-Entry Certificates on the date proceeds or other funds are deposited in escrow with respect to such Book-Entry Certificates.

**SECTION 10.02. Unclaimed Money.** Anything contained herein to the contrary notwithstanding, the Trustee shall notify the District and the Corporation of any money held by the Trustee in trust for the payment and discharge of any of the 2021A Certificates which has remained unclaimed for two (2) years after the date when such 2021A Certificates have become due and payable, either at their stated maturity dates or by call for prepayment prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee. The Trustee shall at the Written Request of the District repay such money to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such 2021A Certificates.

## **ARTICLE XI**

### **MISCELLANEOUS**

**SECTION 11.01. Liability of District Limited to 2021A Installment Payments.** Notwithstanding anything contained herein to the contrary, the District shall not be required to advance any money derived from any source of income other than the 2021A Installment Payments as provided herein for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the 2021A Certificates or for the performance of any agreements or covenants herein contained. The District may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose.

The 2021A Certificates shall be payable solely from the 2021A Installment Payments and amounts on deposit in the funds established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 5.04). The 2021A Certificates do not constitute a debt or liability of the District or of the State of California and neither the faith and credit of the District nor of the State are pledged to the payment of the principal, or interest evidenced and represented by the 2021A Certificates.

**SECTION 11.02. Benefits of the Trust Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the Corporation, the District, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Corporation, the District or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Owners.

**SECTION 11.03. Successor is Deemed Included in All References to Predecessor.** Whenever herein either the Corporation, the District or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the respective successor to the powers, duties and functions with respect to the administration, control and management of the 2021A Project that are presently vested in the Corporation, the District or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Corporation, the District or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**SECTION 11.04. Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys

appointed in writing. The fact and date of the execution by any owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn before such notary public or other officer. The ownership of any 2021A Certificates and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the 2021A Certificates at the Corporate Trust Office of the Trustee.

Any declaration, request or other instrument or writing of the Owner of any 2021A Certificate shall bind all future Owners of such 2021A Certificate with respect to anything done or suffered to be done by the District in good faith and in accordance therewith.

**SECTION 11.05. Waiver of Personal Liability.** No member, officer or employee of the District shall be individually or personally liable for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the 2021A Certificates by reason of their delivery, but nothing herein contained shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

**SECTION 11.06. Acquisition of Certificates by District.** All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**SECTION 11.07. Destruction of Cancelled Certificates.** Whenever provision is made for the return to the District of any 2021A Certificates which have been cancelled pursuant to the provisions hereof, Trustee shall destroy such 2021A Certificates and furnish to the District a certificate of such destruction.

**SECTION 11.08. Funds.** Any fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the 2021A Certificates and the rights of the Owners. The Trustee may establish such funds and accounts hereunder as it deems necessary or appropriate to perform its obligations under this Trust Agreement.

**SECTION 11.09. Article and Section Readings and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to the Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**SECTION 11.10. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District, the

Corporation or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the 2021A Certificates, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The District, the Corporation and the Trustee hereby declare that they would have executed and delivered the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the delivery of the 2021A Certificates pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**SECTION 11.11. Execution in Several Counterparts.** This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District, the Corporation and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**SECTION 11.12. Law Governing.** This Trust Agreement shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

**SECTION 11.13. Notices.** All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States first-class postage prepaid, namely:

If to the Trustee:

U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, California 90071  
Attention: Fonda Hall, Vice President  
Email: fonda.hall@usbank.com  
Phone: (213) 615-6023

If to the Corporation:

Vallecitos Water District Financing Corporation  
201 Vallecitos De Oro  
San Marcos, California 92609  
Attention: Finance Manager  
Email: wowen@vwd.org  
Phone: (760) 744-0460

If to the District:

Vallecitos Water District  
201 Vallecitos De Oro  
San Marcos, California 92609  
Attention: Finance Manager  
Email: wowen@vwd.org  
Phone: (760) 744-0460

**SECTION 11.14. Consent to Amendments Contained in Article IV of the Third Supplemental Installment Purchase Contract.** The Trustee hereby provides its written consent to the amendments to the Master Contract set forth in Article IV of the Third Supplemental Installment Purchase Contract for purposes of providing the required consent under Section 7.03 of the Master Contract.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be signed by one of their officers thereunder duly authorized, all as of the day and year first above written.

VALLECITOS WATER DISTRICT

By: \_\_\_\_\_  
Authorized Officer

ATTEST:

\_\_\_\_\_  
Secretary of the Board of Directors

VALLECITOS WATER DISTRICT FINANCING CORPORATION

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

ATTEST:

\_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**[FORM OF CERTIFICATE OF PARTICIPATION]**

No. R-\_\_

\$\_\_\_\_\_

Revenue Certificate of Participation  
Series 2021A  
Evidencing and Representing a Proportionate,  
Undivided Interest of the Owner Hereof  
in Installment Payments to Be Made  
by the  
VALLECITOS WATER DISTRICT  
to the  
Vallecitos Water District Financing Corporation  
under and pursuant to the  
Master Contract

<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Dated Date</i>	<i>CUSIP</i>
_____%	August 1, ____	_____, 2021	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: \_\_\_\_\_ DOLLARS

THIS IS TO CERTIFY that the Registered Owner (specified above) of this 2021A Certificate of Participation (the "Certificate") is the owner of an undivided interest in the right to receive the 2021A Installment Payments (as defined below) payable by the Vallecitos Water District (the "District") pursuant to the Master Contract (described below) on the maturity date specified above (subject to any right of prior prepayment provided for) the principal sum specified above, together with interest evidenced and represented hereby at the interest rate per annum specified above on February 1, 20\_\_, and on each February 1 and August 1 thereafter (the "Interest Payment Dates") from the Interest Payment Date next preceding the date of execution hereof, unless such date of execution is during the period commencing after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event this 2021A Certificate shall represent interest from such Interest Payment Date and with respect to the first Interest Payment Date, this 2021A Certificate shall represent interest from the Dated Date until the principal evidenced and represented hereby shall have been paid; provided, however, that if on the date of execution of this 2021A Certificate, interest is then in default on the 2021A Certificates, this 2021A Certificate shall evidence interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Certificate.

The principal evidenced and represented by this 2021A Certificate shall be payable (without notice of payment to the registered owner hereof) in lawful money of the United States of America at the Corporate Trust Office (as defined in the Trust Agreement) of U.S. Bank National Association,



(herein, together with any successor as trustee under the hereinafter defined Trust Agreement, called the “Trustee”) upon presentation and surrender of this 2021A Certificate.

Payment of interest evidenced and represented by this 2021A Certificate due on or before the maturity or prior prepayment hereof shall be made to the person in whose name this 2021A Certificate is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee at its Corporate Trust Office such interest to be paid by check mailed by first class mail by the Trustee on such Interest Payment Date to the registered owner at his address as it appears on such books; provided that upon the written request of an Owner of \$1,000,000 or greater in aggregate principal amount of outstanding 2021A Certificates received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds to an account within the United States of America. Interest evidenced and represented by this 2021A Certificate shall be payable in lawful money of the United States of America. Interest on the 2021A Certificates shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This 2021A Certificate is one of a duly authorized issue of Certificates of Participation of the District designated as the “Revenue Certificates of Participation, Series 2021A” in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_), all of like tenor and date (except for variations relating to Certificates (as may be required to designate varying numbers, maturities and interest rates), and is executed and delivered under and pursuant to the provisions of a trust agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and among the District, the Vallecitos Water District Financing Corporation (the “Corporation”) and the Trustee (copies of which are on file at the Corporate Trust Office of the Trustee).

The 2021A Certificates are executed and delivered to provide funds for financing public facilities of the District and to reimburse the District for previous amounts expended on the financing of public facilities. The 2021A Certificates are payable solely from installment payments (the “2021A Installment Payments”) paid by the District for the purchase of the Project pursuant to the Master Installment Purchase Contract, dated as of June 15, 2005 (as supplemented and amended, the “Master Contract”), by and between the District and the Corporation, as supplemented by the First Supplemental Installment Purchase Contract, dated June 15, 2005, the Second Supplemental Installment Purchase Contract, dated December 1, 2012 and the Third Supplemental Installment Purchase Contract, dated as of August 1, 2021 (the “Third Supplemental Installment Purchase Contract”), including interest or profits from the investment of money in certain funds established under the Trust Agreement for the payment of the 2021A Certificates (other than amounts on deposit in the Rebate Fund) and amounts on deposit in the funds established under the Trust Agreement (other than amounts on deposit in the Rebate Fund). The 2021A Installment Payments do not constitute a debt or liability of the District or of the State of California in contravention of any constitutional or statutory debt limit and neither the faith and credit of the District nor of the State of California are pledged to the payment of the principal or interest evidenced and represented by the 2021A Certificates.

The 2021A Certificates are subject to extraordinary prepayment by the District on any date prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, as a whole or in part by lot within each Certificate Payment Date, in such order of prepayment as the District may determine, in integral multiples of five thousand dollars (\$5,000) and any integral multiple thereof and from net proceeds of insurance awards or condemnation proceedings received by the District due to the damage, destruction or condemnation of all or any portion of the Enterprise under the

circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Master Contract, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2021A Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

The 2021A Certificates with Certificate Payment Dates on or after August 1, 20\_\_ are subject to optional prepayment prior to their respective Certificate Payment Dates by the District on any date on or after August 1, 20\_\_, upon notice as hereinafter provided, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of five thousand dollars (\$5,000), from any source of available funds, at a prepayment price equal to 100% of the principal amount to be prepaid, plus interest, if any, accrued with respect thereto to the date of prepayment, without premium.

Notice of prepayment of this 2021A Certificate shall be given by the Trustee not less than twenty (20) days nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the 2021A Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee (ii) the Securities Depositories and (iii) the Information Services subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of prepayment has been duly given as aforesaid and money for the payment of the above-described prepayment price is held by the Trustee, in the Payment Fund then this 2021A Certificate so called for prepayment shall, on the prepayment date designated in such notice, become due and payable at the above-described prepayment price; and from and after the date so designated, interest evidenced and represented on this 2021A Certificate shall cease to accrue and the registered owner of this 2021A Certificate shall have no rights in respect hereto except to receive payment of the prepayment price hereof.

This 2021A Certificate is transferable only in the books required to be kept for that purpose at the Corporate Trust Office of the Trustee by the registered owner hereof in person or by his duly authorized attorney, upon surrender of this 2021A Certificate together with a duly executed written instrument of transfer in a form approved by the Trustee and thereupon a new fully registered 2021A Certificate or 2021A Certificates will be executed and delivered, by the Trustee of like series and of authorized denominations of the same Certificate Payment Date evidenced and representing the same aggregate principal amount a 2021A Certificate will be issued to the transferee in exchange therefor. This 2021A Certificate may be exchanged at the Corporate Trust Office of the Trustee for the same aggregate principal amount evidenced and represented by a 2021A Certificate of authorized denominations. The Trustee shall not be required to register the transfer of or exchange (i) any 2021A Certificates during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) any 2021A Certificate which has been selected for prepayment in whole or in part.

The Trustee may treat the registered owner hereof as the absolute owner hereof all purposes, whether or not this 2021A Certificate shall be overdue, and the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest and principal prepayment premiums and represented by the Certificate shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability evidenced and represented by this 2021A Certificate to the extent of the sum or sums so paid.

The Trust Agreement and the rights and obligations of the District, the Corporation and of the registered owners of the 2021A Certificates may be modified or amended at any time in the manner,

to the extent and upon the terms provided in the Trust Agreement, but no such modification or amendment shall (i) extend the maturity of this 2021A Certificate or reduce the rate of interest or yields-to-maturity, as the case may be hereon or extend the time of payment of interest, or reduce the amount of principal hereon, or reduce any premium payable on the prepayment hereon without the consent of the registered owner of this 2021A Certificate, (ii) reduce the percentage of Owners of 2021A Certificates whose consent is required for the execution of any amendment or modification or, (iii) modify any rights or obligations of the Trustee of the Corporation without its prior written assent thereto, all as more fully set forth in the Trust Agreement.

If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the registered owners of any outstanding 2021A Certificates the interest and the principal and the prepayment premiums, if any, evidenced and represented thereby at the times and in the manner stipulated herein and in the Trust Agreement, then the registered owners of such 2021A Certificates shall cease to be entitled to the pledge of and lien on the moneys in the Payment Fund, as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Corporation and the District to the registered owners of such 2021A Certificates under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

This 2021A Certificate shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until executed and dated by the Trustee.

The District certified that all acts and proceedings required by law necessary to make this 2021A Certificate, when executed by the Trustee and duly issued, the valid, binding and legal special obligation of the District have been done and taken, and have been in all respects duly authorized.

The Trustee has executed this 2021A Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the 2021A Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement.

#### CONSENT TO AMENDMENTS CONTAINED IN ARTICLE IV OF THE THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

By acceptance of this 2021A Certificate, the owner of this 2021A Certificate hereby consents to the amendments to the Master Contract set forth in Article IV of the Third Supplemental Installment Purchase Contract for all purposes under the Master Contract including but not limited to determining whether owners of a majority in the aggregate principal amount of the Parity Obligations (as defined in the Master Contract) consented to such amendments for purposes of Section 7.03 thereof.

IN WITNESS WHEREOF, this 2021A Certificate has been executed by the manual signature of an authorized officer of the Trustee as of the date set forth below.

Date of Execution: \_\_\_\_\_, 2021

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Officer

**[FORM OF ASSIGNMENT TO CERTIFICATES]**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(name, address and social security number or other identifying number)

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

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

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

Signature Guaranteed:

\_\_\_\_\_  
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution

PURCHASE CONTRACT

\$ \_\_\_\_\_

VALLECITOS WATER DISTRICT  
Revenue Certificates of Participation, Series 2021A

August \_\_, 2021

Vallecitos Water District  
201 Vallecitos de Oro  
San Marcos, California 92069

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC, acting on behalf of itself (the “Underwriter”), and not as an agent or representative of you, offers to enter into this purchase contract (the “Purchase Contract”) with the Vallecitos Water District (the “District”), which will be binding upon the District and the Underwriter upon the acceptance hereof by the District and acknowledgment by the Vallecitos Water District Financing Corporation (“the Corporation”). This offer is made subject to its acceptance by the District by execution of this Purchase Contract and acknowledgment by the Corporation and its delivery to the Underwriter on or before 11:00 p.m., California time, on the date hereof. All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Official Statement (as hereafter defined).

**1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause to be delivered to the Underwriter, all (but not less than all) of the \$ \_\_\_\_\_ aggregate principal amount of Vallecitos Water District Revenue Certificates of Participation, Series 2021A (the “Certificates”), at a purchase price of \$ \_\_\_\_\_ (the par amount of the Certificates, plus \$ \_\_\_\_\_ of original issue premium and less \$ \_\_\_\_\_ of Underwriter’s discount).

**2. Authorizing Instruments and Law.** The Certificates shall be executed and delivered pursuant a Trust Agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”) and a Master Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as amended and supplemented including as amended and supplemented by the Third Supplemental Installment Purchase Contract (the “Third Supplemental Installment Purchase Contract”), dated as of August 1, 2021, by and between the District and the Corporation (collectively, the “Master Contract”).

The Certificates represent a right to receive installment payments (the “Installment Payments”) payable by the District under the Third Supplemental Installment Purchase Contract. The Installment Payments are special limited obligations of the District.

The Certificates shall represent principal maturing on the dates and in the amounts and shall represent interest as set forth on Appendix A hereto and shall be as more particularly described in the Trust Agreement and the Official Statement dated August \_\_, 2021, relating to the Certificates (which, together with all exhibits and appendices included therein or attached thereto and such

amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “Official Statement”).

The Third Supplemental Installment Purchase Contract is being executed and delivered as a Parity Obligation within the meaning of the Master Contract. The Third Supplemental Installment Purchase Contract is secured by a pledge of, and payable from Net Revenues of the District’s Water and Wastewater System.

The District will use the proceeds of the Certificates to (i) to reimburse to the District for the cost of certain improvements to the District’s Water System and Wastewater System and to finance the costs of certain additions, betterments, extensions and improvements to the District’s Water System and Wastewater System; and (ii) pay costs incurred in connection with the execution and delivery of the Certificates.

**3. Public Offering.** The Underwriter agrees to make an initial public offering of all the Certificates at the public offering prices (or yields) set forth in the Official Statement. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Certificates (subject in all cases to Section 4), provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Certificates may be offered and sold to certain dealers at prices lower than such initial public offering price or prices set forth in the Official Statement (subject in all cases to Section 4). The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Certificates at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

**4. Issue Price.** (a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Appendix B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Stradling Yocca Carlson & Rauth, a Professional Corporation, as special counsel (“Special Counsel”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the District under this section to establish the issue price of the Certificates may be taken on behalf of the District by the District’s municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District’s municipal advisor.

(b) [Except as otherwise set forth in Appendix A attached hereto,] the District will treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. [If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Certificates of that maturity or (ii) the 10% test has been satisfied as to the Certificates of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Special Counsel.] For purposes of this Section, if

Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Certificates.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Appendix A attached hereto, except as otherwise set forth therein. Appendix A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.



(ii) any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

(f) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),

(iii) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct

ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

**5. Delivery of Official Statement.** Pursuant to the authorization of the District, the Underwriter has distributed copies of the Preliminary Official Statement dated August \_\_, 2021, relating to the Certificates, which, together with the cover page and appendices thereto and any amendments or supplements thereto, is herein called the “Preliminary Official Statement.” By its acceptance of this proposal, the District hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement. The District agrees to execute and deliver a final Official Statement in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto, with the consent of the District and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 7(xiv) hereof. The District hereby authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Certificates: the Preliminary Official Statement, the Official Statement, the Master Contract, the Trust Agreement, and the Continuing Disclosure Agreement (as hereinafter defined) and other documents or contracts to which the District is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

**6. The Closing.** At 8:00 a.m., California time, on August \_\_, 2021, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District and the Underwriter, the District will cause to be executed and delivered (i) the Certificates in book-entry form through the facilities of The Depository Trust Company (“DTC”), or its agent, on behalf of the Underwriter; and (ii) the closing documents hereinafter mentioned at the offices of Special Counsel, in Newport Beach, California, or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept delivery of the Certificates and pay the purchase price of the Certificates as set forth in Section 1 hereof in immediately available funds to the order of the District. This payment for and delivery of the Certificates, together with the execution and delivery of the aforementioned documents, is herein called the “Closing.”

**7. District Representations, Warranties and Covenants.** The District represents, warrants and covenants to the Underwriter that:

(i) Due Organization, Existence and Authority. The District is a county water district duly organized and existing under and by virtue of the laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Master Contract, the Trust Agreement and the Continuing Disclosure Agreement (collectively, the “District Documents”) and to carry out and consummate the transactions contemplated by the District Documents and the Official Statement.

(ii) Due Authorization and Approval. By all necessary official action of the District, the District has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations contained or described in, the Preliminary Official

Statement, the Official Statement and the District Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming the authorization, execution and delivery by the other parties thereto, each District Document will constitute the legally valid and binding obligation of the District enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or similar laws or equitable principles relating to or affecting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is as of its date, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain and up to and including the Closing will contain no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system).

(iv) Underwriter's Consent to Amendments and Supplements to Official Statement. The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(v) District Agreement to Amend or Supplement Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Section 240 15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations ("Rule 15c2-12")), any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Certificates to reflect such event, the District promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the District shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the Municipal Securities Rulemaking Board (the "MSRB"). The Underwriter acknowledges that the end of the "underwriting period" will be the date of Closing.

(vi) No Material Change in Finances. At the time of the Closing, and except as otherwise described in the Official Statement, there shall not have been any material adverse changes in the financial condition of the District since June 30, 2020.

(vii) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, (i) the District is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued by the District, and (ii) the District is not and will not, in

any manner which would materially adversely affect the transactions contemplated by the District Documents, be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the District Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the District Documents and compliance with the provisions of each of such agreements or instruments do not and will not, in any manner which would materially adversely affect the transactions contemplated by the District Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(viii) No Litigation. As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the District after due investigation, threatened (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or in any way contesting or affecting the validity of the Certificates or the District Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest with respect to the Certificates from gross income for federal income tax purposes or contesting the powers of the District to enter into the District Documents; (iii) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the District or to its ability to pay debt service payments with respect to the Certificates when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(ix) No Prior Liens on Revenues. Except for the payments with respect to the Second Supplemental Installment Purchase Contract, dated as of December 1, 2012 (the “Second Supplemental Installment Purchase Contract”), by and between the District and the Corporation and the District’s Water and Wastewater Enterprise 2015 Refunding Revenue Bonds (the “2015 Bonds”), which are secured by a lien on the Net Revenues on a parity with the lien thereon under the Master Contract, the District does not and will not have outstanding any other indebtedness which indebtedness is secured by a lien on the Net Revenues superior to or on a parity with the lien of the Master Contract on the Net Revenues.

(x) Further Cooperation; Blue Sky. The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Certificates; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(xi) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(xii) No Other Obligations. Between the date of this Purchase Contract and the date of Closing, the District will not, without the prior written consent of the Underwriter, offer or issue or incur any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Net Revenues.

(xiii) Certificates. Any certificate signed by any official of the District and delivered to the Underwriter shall be deemed to be a representation and warranty by the District to the Underwriter as to the statements made therein.

(xiv) Compliance with Rule 15c2-12. The Preliminary Official Statement heretofore delivered to the Underwriter is hereby deemed final by the District as of its date and as of the date hereof, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The District hereby represents that the Preliminary Official Statement as previously furnished to the Underwriter was “deemed final” by the District as of its date for purposes of Rule 15c2-12. The District hereby covenants and agrees that, within seven business days from the date hereof, the District shall cause a final form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB (as communicated by the Underwriter to the District).

(xv) Continuing Disclosure. Except as otherwise disclosed in the Official Statement, the District is currently and for the previous five years has been in compliance with all continuing disclosure undertakings pursuant to Rule 15c2-12 in all material respects. The District will undertake, pursuant to a Continuing Disclosure Agreement, by and between the District and Fieldman, Rolapp & Associates doing business as Applied Best Practices, LLC (the “Continuing Disclosure Agreement”), to provide annual reports and notices of certain enumerated events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Agreement is set forth as Appendix E to the Official Statement.

**8. Closing Conditions.** The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the

District of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the District contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing, (i) the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter; (ii) the Assignment Agreement, dated as of August 1, 2021, between the Corporation and the Trustee (the "Assignment Agreement") shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, (iii) there shall be in full force and effect such resolutions (the "Resolutions") as, in the opinion of Special Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement and the District Documents; (iv) the District shall perform or have performed its obligations required or specified in the District Documents to be performed at or prior to Closing; and (v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 7(vi) and 7(v) hereof or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the Resolutions, the District Documents, or any other agreement or document pursuant to which any of the District's financial obligations was issued or incurred and the District shall not be in default in the payment of principal or interest on or with respect to any of its financial obligations which default would adversely impact the ability of the District to pay the 2021A Installment Payments.

(d) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the District if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading and, in either such event, (a) the District refuses to permit the Official Statement to be supplemented to supply such statement or information or (b) the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Underwriter, to materially adversely affect the marketability or the market price of the Certificates; or

(ii) the marketability or the market price of the Certificates, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman

or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the District, or the status of the interest on or with respect to bonds or notes or obligations of the general character of the Certificates; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or the market price of the Certificates; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Trust Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any United States governmental authority or by any securities exchange in the United States or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or State agency or the Congress of the United States, or by Executive Order, which restrictions materially adversely affect the marketability or the market price of the Certificates; or

(vi) a general banking moratorium shall have been established by federal or state authorities or any material disruption in commercial banking or securities settlement or clearance services shall have occurred, which moratorium or disruption materially adversely affects the marketability or the market price of the Certificates; or

(vii) the United States has become engaged in hostilities beyond currently existing hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of currently existing hostilities or a national or international calamity or crises, financial or otherwise, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States, being such as, in the reasonable

opinion of the Underwriter, would materially adversely affect the marketability or the market price of the Certificates; or

(viii) any rating of the securities of the District reflecting the creditworthiness of the District shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Certificates; or

(ix) the commencement of any action, suit or proceeding described in Paragraph 7(viii) hereof which, in the reasonable judgment of the Underwriter, materially adversely affects marketability or the market price of the Certificates; or

(x) there shall be in force a general suspension of trading on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission.

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Certificates the following documents:

(i) Special Counsel Opinion. An approving opinion of Special Counsel, dated the date of the Closing and substantially in the form included as Appendix C to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(ii) Supplemental Opinion. A supplemental opinion of Special Counsel, dated the date of the Closing and addressed to the Underwriter substantially in the form attached hereto as Appendix D.

(iii) Disclosure Counsel Negative Assurance Letter. A negative assurance letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, disclosure counsel ("Disclosure Counsel"), dated the date of Closing and addressed to the Underwriter substantially in the form attached hereto as Appendix C.

(iv) District Counsel Opinion. An opinion of Best Best & Krieger LLP, counsel to the District, dated the date of the Closing and addressed to the Underwriter, substantially to the following effect:

(A) The District is a county water district duly organized and validly existing under the constitution and the laws of the State and has all the necessary power and authority to enter into and perform its duties under the District Documents;

(B) The Resolution of the District approving the District Documents has been duly adopted by the District;

(C) Each of the District Documents has been duly authorized, executed and delivered by the District and each constitutes a legal, valid, binding and enforceable obligation of the District; and



(D) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or, to such counsel's best knowledge, threatened, against the District challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of principal of and interest with respect to the Certificates or in any way contesting or affecting the validity of the District Documents or any of the transactions referred to therein or contemplated thereby or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or under which a determination adverse to the District would have a material adverse effect upon the financial condition or the revenues of the District, or which, in any manner, questions or affects the right or ability of the District to enter into the District Documents or affects in any manner the right or ability of the District to make the payment of principal of and interest with respect to the Certificates; and

(E) The Official Statement has been prepared by, or on behalf of, the District under the supervision of the District's General Manager.

(v) Corporation Counsel Opinion. An opinion of Best Best & Krieger LLP, special counsel to the Corporation, dated the date of Closing and addressed to the Underwriter, substantially to the following effect:

(A) The Corporation is a nonprofit public benefit corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California;

(B) The Trust Agreement, the Master Contract and the Assignment Agreement (collectively, the "Corporation Documents") have been duly authorized, executed and delivered by the Corporation. The Corporation Documents constitute the valid, legal and binding agreements of the Corporation enforceable against the Corporation in accordance with their terms and the Corporation has the power and authority to carry out and consummate all transactions contemplated by the Corporation Documents and the resolution of the Corporation relating to the execution of the Trust Agreement, Third Supplemental Installment Purchase Contract and the Assignment Agreement (the "Corporation Resolution") and the Corporation has complied with the provisions of the Corporation Resolution in all matters relating to such transactions except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against entities such as the Corporation;

(C) The Corporation Resolution was duly adopted at a meeting of the governing body of the Corporation, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Corporation Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with, or constitute on the part of the Corporation a breach of or default under any material agreement

or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject;

(E) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with or constitute a breach of or default under any term or provision of the Constitution of the State of California or any statute, administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Corporation is subject or by which the Corporation or any of its property is bound;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the Corporation to adopt the Corporation Resolution or to perform its obligations thereunder or under the Corporation Documents; and

(G) To the current actual knowledge of such counsel, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency, or body, pending or threatened, against the Corporation challenging the creation, organization or existence of the Corporation, or the validity or the Corporation Documents or seeking to restrain or enjoin adoption of the Corporation Resolution or in any way contesting or affecting the validity of the Corporation Resolution or the Corporation Documents or any of the transactions referred to therein or contemplated thereby or contesting the District of the Corporation to perform its obligations under the Corporation Resolution or the Corporation Documents, under which a determination adverse to the Corporation would have a material adverse effect upon the financial condition or the revenues of the Corporation, or which in any manner, questions or affects the right or the ability of the Corporation to adopt the Corporation Resolution.

(vi) Trustee Counsel Opinion. The opinion of counsel to the Trustee dated the date of the Closing and addressed to the Underwriter to the effect that:

(A) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full corporate power to undertake the trust created under the Trust Agreement;

(B) The Trust Agreement and the Assignment Agreement have been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, the constitute valid and binding obligations of the Trustee enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) The Trustee's actions in executing and delivering the Trust Agreement and the Assignment Agreement are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel's knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Certificates or the consummation by the Trustee of its obligations under the Trust Agreement or the Assignment Agreement.

(vii) Underwriter's Counsel Opinion. An opinion of Nixon Peabody, LLP, Los Angeles, California counsel to the Underwriter ("Underwriter's Counsel"), dated the date of Closing and addressed to the Underwriter in form and substance satisfactory to the Underwriter:

(viii) District Certificate. A certificate of the District, dated the date of the Closing, signed on behalf of the District by the General Manager or other duly authorized officer of the District to the effect that:

(A) The representations, warranties and covenants of the District contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the District has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the District at or prior to the date of the Closing;

(B) No event affecting the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except no representation is made with respect to information relating to DTC or DTC's book-entry system; and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the District Documents which would materially adversely affect the transactions contemplated by the District Documents.

(ix) Corporation Certificate. A certificate of the Corporation, dated the date of the Closing, signed on behalf of the Corporation by the District to the effect that :

(A) The Corporation is a nonprofit public benefit corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California;

(B) The Corporation Documents have been duly authorized, executed and delivered by the Corporation. The Corporation Documents constitute the valid, legal and binding agreements of the Corporation enforceable against the Corporation in accordance with their terms and the Corporation has the power and authority to carry out and consummate all transactions contemplated by the Corporation Documents and the Corporation Resolution and the Corporation has complied with the provisions of the Corporation Resolution in all matters relating to such transactions except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against entities such as the Corporation;

(C) The Corporation Resolution was duly adopted at a meeting of the governing body of the Corporation, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Corporation Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with, or constitute on the part of the Corporation a breach of or default under any material agreement or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject;

(E) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with or constitute a breach of or default under any term or provision of the Constitution of the State of California or any statute, administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Corporation is subject or by which the Corporation or any of its property is bound;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the Corporation to adopt the Corporation Resolution or to perform its obligations thereunder or under the Corporation Documents;

(G) There is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency, or body, pending or threatened, against the Corporation challenging the creation, organization or existence of the Corporation, or the validity of the Corporation Documents or seeking to restrain or enjoin adoption of the Corporation Resolution or in any way contesting or affecting the validity of the Corporation Resolution or the Corporation Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the Corporation to perform its obligations under the Corporation Resolution or the Corporation Documents, under which a determination adverse to the Corporation would have a material adverse effect upon the financial condition or the revenues of the Corporation, or which in any manner, questions or affects the right or the ability of the Corporation to adopt the Corporation Resolution; and

(H) The information relating to the Corporation contained in the Official Statement is, as of its date and the date of Closing, true and correct in all material respects, and the information relating to the Corporation contained in the Official Statement, as of its date and the date of Closing, contains no misstatement of any material fact and do not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(x) Trustee's Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the Trustee satisfactory in form and substance to the Underwriter, to the effect that:

(A) The Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Trust Agreement and the Assignment Agreement;

(B) The Trustee is duly authorized to enter into the Trust Agreement and the Assignment Agreement and has duly executed and delivered the Trust Agreement and the Assignment Agreement, and assuming due authorization and execution by the other party thereto, the Trust Agreement and the Assignment Agreement are legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with their terms;

(C) The Trustee has duly executed and delivered the Certificates under the Trust Agreement and delivered the Certificates to or upon the order of the Underwriter; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the authentication and delivery of the Certificates or the consummation by the Trustee of its obligations under the Trust Agreement and the Assignment Agreement.

(xi) Transcripts. Two transcripts of all proceedings relating to the authorization, execution and delivery of the Certificates.

(xii) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the District by duly authorized officers of the District.

(ii) Issue Price Certificate. A letter and a certificate from the Underwriter with respect to the public offering and “Issue Price” of the Certificates in the form acceptable to Special Counsel, the Underwriter, and Underwriter’s Counsel;

(xiii) Documents. An original executed copy of each of the District Documents.

(xiv) District Resolution. Two certified copies of the District Resolution, certified by the District Secretary.

(xv) Corporation Resolution. Two certified copies of the Corporation Resolution, certified by the Corporation Secretary.

(xvi) Trustee Resolution. Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers and employees of the Trustee, which resolution authorizes the execution and delivery of the Trust Agreement and the Assignment Agreement.

(xvii) 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(xviii) Tax Certificate. A tax certificate of the District in form satisfactory to Special Counsel.

(xix) CDIAC Statements. A copy of the Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xx) 15c2-12 Certificate of the District. A certificate of the District “deeming final” the Preliminary Official Statement for purposes of Rule 15c2-12.

(xxi) Rating. Evidence from Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and Fitch Ratings (“Fitch”) that the Certificates have received ratings of “\_\_\_” and “\_\_\_,” respectively.

(xxii) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the District shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the District shall be under further obligation hereunder, except as further set forth in Section 8 hereof.

**9. Expenses.** The Underwriter shall be under no obligation to pay and the District shall pay or cause to be paid the expenses incident to the performance of the obligations of the District hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the District Documents, and the cost of preparing, printing, executing and delivering the Certificates; (b) the fees and disbursements of any counsel, municipal advisors, accountants or other experts or consultants retained by the District; (c) the fees and disbursements of Special Counsel, Disclosure Counsel, District Counsel, and Corporation Counsel; (d) the fees and disbursements of S&P and Fitch; (e) the cost of printing and distributing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing and distributing the Official Statement and any supplements and amendments thereto, including a reasonable number of copies thereof for distribution by the Underwriter; (f) expenses (included in the expense component of the Underwriter’s spread) incurred on behalf of the District’s officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees; (g) CUSIP Service Bureau fees and charges; and (h) Trustee fees. In addition, the District shall reimburse the Underwriter for amounts paid to CDIAC in connection with the execution and delivery of the Certificates.

The Underwriter shall pay and the District shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Certificates, including any advertising expenses, and the Underwriter shall pay any costs and expenses incurred in connection with the preparation and distribution of any blue sky surveys or any legal investment memoranda, and the costs and fees of counsel to the Underwriter.

**10. Notice.** Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to Vallecitos Water District, 201 Vallecitos de Oro, San Marcos, California 92069, Attention: General Manager.

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Morgan Stanley & Co. LLC, 1999

Avenue of the Stars, Suite 2400, Los Angeles, California 90067, Attention: Dan Kurz, Executive Director.

**11. Entire Agreement.** This Purchase Contract, when accepted by the District, shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the District's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

**12. No Advisory or Fiduciary Role.** The District acknowledges and agrees that (i) the purchase and sale of the Certificates pursuant to this Purchase Contract is an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the District, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters) and the Underwriter has no obligation to the District with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract, (iv) the Underwriter is not acting as municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), and (v) the District has consulted its own legal, financial and other advisors to the extent it deemed appropriate in connection with the offering of the Certificates. Nothing in this foregoing paragraph is intended to limit the Underwriter's obligation of fair dealing to the District under MSRB Rules G-17 and G-30.

**13. Counterparts.** This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**14. Severability.** In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof.

**15. Consent to Amendments to the Master Contract.** The Underwriter hereby provides its written consent to the amendments to the Master Contract set forth in Article IV of the Third Supplemental Installment Purchase Contract.

**16. STATE LAW GOVERNS.** THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

**17. No Assignment.** The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter or the District without the prior written consent of the other party hereto.

MORGAN STANLEY & CO. LLC

By: \_\_\_\_\_  
Executive Director

Accepted as of the date first stated above:

VALLECITOS WATER DISTRICT

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

Acknowledged as of the date first stated above:

VALLECITOS WATER DISTRICT FINANCING CORPORATION

By: \_\_\_\_\_  
Executive Director



APPENDIX A

\$ \_\_\_\_\_

VALLECITOS WATER DISTRICT  
Revenue Certificates of Participation, Series 2021A

<i>Maturity (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Used</i>	<i>Hold- the- Offering Price Used</i>
	\$	%	%			

APPENDIX B

FORM OF ISSUE PRICE CERTIFICATE

\$\_\_\_\_\_

VALLECITOS WATER DISTRICT  
Revenue Certificates of Participation, Series 2021A

**ISSUE PRICE CERTIFICATE**

The undersigned, Morgan Stanley & Co. LLC (the “Morgan Stanley”), hereby certifies as set forth below with respect to the sale and execution and delivery of the Revenue Certificates of Participation, Series 2021A (the “Certificates”) of Vallecitos Water District (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1 hereto.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule 1 hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule 2.

(b) As set forth in the Purchase Contract dated \_\_\_\_\_, 2021, between the Underwriter and the Issuer, the Underwriter agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, the Underwriter would neither offer nor sell any of the unsold Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement will contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement will contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Underwriter has not offered or sold any unsold Certificates of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

3. ***Defined Terms.***

(a) ***[General Rule Maturities*** means those Maturities of the Certificate listed in Schedule 1 hereto as the “General Rule Maturities.”]

(b) ***[Hold-the-Offering-Price Maturities*** means those Maturities of the Certificates listed in Schedule 1 hereto as the “Hold-the-Offering-Price Maturities” (if any).]

(c) ***[Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Morgan Stanley sold at least 10% of such Hold-the-

Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is \_\_\_\_\_, 2021.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Morgan Stanley’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Certificates and with respect to compliance with the federal income tax rules affecting the Certificates, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this \_\_ day of \_\_\_\_\_, 2021.

MORGAN STANLEY & CO. LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE 1 TO EXHIBIT B

SALE PRICES OF THE GENERAL RULE MATURITIES AND  
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

CERTIFICATES

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>General Rule Maturities</u>	<u>Hold-the- Offering Price Used</u>
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SCHEDULE 2 TO EXHIBIT B  
PRICING WIRE OR EQUIVALENT COMMUNICATION

*(Attached)*

APPENDIX C

FORM OF DISCLOSURE COUNSEL NEGATIVE ASSURANCE LETTER

Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the District, propose to deliver a negative assurance letter in substantially the following form in connection with the initial execution and delivery of the Certificates.

[Closing Date], 2021

Morgan Stanley & Co. LLC  
1999 Avenue of the Stars  
Los Angeles, California 90067

Re: Vallecitos Water District Revenue Certificates of Participation, Series 2021A

Ladies and Gentlemen:

We have acted as disclosure counsel for the Vallecitos Water District (the “District”) in connection with the execution and delivery of the above-referenced certificates of participation (the “Certificates”). The Certificates are being purchased by you pursuant to a Purchase Contract, dated \_\_\_\_\_, 2021 (the “Purchase Contract”), by and between the District and you, as underwriter of the Certificates. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the advice contained herein, we have examined originals or copies certified or otherwise identified to our satisfaction of: (i) the Preliminary Official Statement, dated \_\_\_\_\_, 2021 (excluding any supplements or amendments thereto and any additional information or changes set forth in the Official Statement, the “Preliminary Official Statement”) relating to the Certificates, (ii) the Official Statement, dated \_\_\_\_\_, 2021 (the “Official Statement”) relating to the Certificates; (iii) the letters, certificates, and opinions delivered to you pursuant to the provisions of the Purchase Contract, including, but not limited to, Section 8(e) thereof; and (iv) such other documents, certificates, instructions and records as we have considered necessary or appropriate as a basis for such advice. We have not reviewed, and we do not assume any responsibility for any printed version of the Preliminary Official Statement or the Official Statement and for all purposes of this letter, we have assumed that any printed version of the Preliminary Official Statement or Official Statement, as applicable, conforms in all respects to the electronic version of the Preliminary Official Statement or Official Statement, as applicable.

The conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any such actions are taken or omitted or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all

documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate. We have assumed, without independent verification, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in any opinions referenced in the Official Statement.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in any document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Master Contract, the Trust Agreement or the Assignment Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services as disclosure counsel to the District did not involve the rendering of financial or other non-legal advice to you, the District or any other party to the transaction.

Although we have not undertaken to determine independently or verify and are not passing upon and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, and are therefore unable to make any representation to you in that regard, we have participated in conferences prior to the date of the Official Statement with your representatives, including separate counsel retained by you, and representatives of the District, including the District's General Counsel, the District's municipal advisor, Fieldman, Rolapp & Associates, and others, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based upon the information made available to us in the course of our participation in such conferences as disclosure counsel to the District, our review of the documents referred to above, our reliance on the oral and written statements of the District and others, the documents, certificates, instructions and records and the opinions of counsel described above and our understanding of applicable law, and subject to the limitations on our role as disclosure counsel to the District, we advise you as a matter of fact but not opinion that no information has come to the attention of the attorneys in the firm representing the District as disclosure counsel on this matter which caused us to believe that the Preliminary Official Statement as of its date or as of the date of the Purchase Contract contained, or the Official Statement as of its date contained or as of the date hereof contains, any untrue statement of a material fact, or, with respect to the Preliminary Official Statement, as of its date and as of the date of the Purchase Contract omitted, or with respect to the Official Statement, as of its date omitted or as of the date hereof omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except that we express no view with respect to: (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, or assessed valuations contained in the Preliminary Official Statement or the Official Statement; (ii) any CUSIP numbers or information relating thereto; (iii) any information with respect to The Depository Trust Company and its book-entry system; (iv) any information contained in the appendices to the Preliminary Official Statement or the Official Statement; (v) any information incorporated by reference into the Preliminary Official Statement or the Official Statement; (vi) the District's compliance with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12,

review of which matters we understand has been undertaken by Fieldman, Rolapp & Associates doing business as Applied Best Practices, LLC; (vii) any information with respect to the underwriter or underwriting matters with respect to the Certificates, including but not limited to information under the caption “UNDERWRITING”; (viii) information under the captions “TAX MATTERS” and “LITIGATION”; and (ix) any information with respect to the ratings on the Certificates and the rating agencies referenced therein, including but not limited to information under the caption “RATINGS”. Finally, we advise you that, other than reviewing the various certificates and opinions required by Section 8(e) of the Purchase Contract, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Preliminary Official Statement as of the date of the Purchase Contract or the Official Statement as of the date hereof. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by, or incorporated by reference in, the Preliminary Official Statement or the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the negative assurance above is not an opinion and is based on certain limited activities performed by specific attorneys in our firm in our role as disclosure counsel to the District; (ii) the scope of the activities performed by such attorneys in our role as disclosure counsel to the District and for purposes of delivering such negative assurances were inherently limited and do not purport to encompass all activities necessary for compliance by you or others in accordance with applicable state and federal securities laws; and (iii) the activities performed by such attorneys in our role as disclosure counsel to the District rely in part by representations, warranties, certifications and opinions of other parties to the transaction, including representations, warranties and certifications made by the District.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Certificates in accordance with the Purchase Contract and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the execution and delivery of the Certificates or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement. This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement as disclosure counsel to the District terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Certificates or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Certificates, the owners of any beneficial ownership interest in the Certificates or by any other party to whom it is not addressed.

Respectfully submitted,



APPENDIX D  
FORM OF SUPPLEMENTAL OPINION OF SPECIAL COUNSEL TO THE DISTRICT

Stradling Yocca Carlson & Rauth, a Professional Corporation, as Special Counsel to the District, propose to deliver an opinion in substantially the following form in connection with the initial execution and delivery of the Certificates.

[Closing Date], 2021

Morgan Stanley & Co. LLC  
1999 Avenue of the Stars  
Los Angeles, California 90067

*Re:     \$\_\_\_\_\_ Vallecitos Water District Revenue Certificates of Participation, Series  
          2021A*

Ladies and Gentlemen:

We have acted as Special Counsel to the Vallecitos Water District (the “District”) in connection with the execution and delivery of above-referenced certificates (the “Certificates”). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Trust Agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and between the District and U.S. Bank, National Association, as trustee (the “Trustee”). The Certificates have been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement. Capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Purchase Contract (defined below), and if not defined therein, in the Official Statement relating to the Certificates dated [\_\_\_\_\_].

On the date hereof, we delivered to the District an opinion relating to the validity of the Master Contract and the Trust Agreement. You are authorized to rely upon said opinion as if addressed to you.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

1. The Purchase Contract, dated [\_\_\_\_\_] (the “Purchase Contract”), by and between the District and Morgan Stanley & Co. LLC, as underwriter (the “Underwriter”) with respect to the Certificates, has been duly authorized, executed and delivered by the District and is a valid and binding agreement of the District enforceable in accordance with its terms.

2. The statements contained in the Official Statement, dated [\_\_\_\_\_], relating to the Certificates (the “Official Statement”) on the cover page and under the captions “INTRODUCTION,” “THE CERTIFICATES,” “SECURITY FOR THE CERTIFICATES,” “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” and “TAX

MATTERS” and in APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,” and APPENDIX E – “FORM OF SPECIAL COUNSEL OPINION,” insofar as such statements purport to summarize certain provisions of the Certificates, the Master Contract, Trust Agreement, State law and our opinion concerning certain federal tax matters relating to the Certificates (but not including any statistical or financial information contained therein or information concerning The Depository Trust Company or the book-entry only system, as to which no opinion is expressed), are accurate as of the date of the Official Statement and as of the date hereof.

3. The Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Purchase Contract, the Trust Agreement, the Master Contract, the Continuing Disclosure Agreement and the Certificates are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Certificates, the Trust Agreement or the Master Contract, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Trust Agreement or the Master Contract or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

This letter is limited to matters governed by the laws of the State of California and federal law, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. Except as expressly set forth in the Approving Opinion, we express no opinion regarding any tax consequences with respect to the Certificates. We have not been engaged, nor have we undertaken, to advise any party or to opine as to any matters not specifically covered herein, including, but not limited to, matters relating to compliance with any securities laws.

This opinion letter may be relied upon only by you and may not be circulated, quoted from or relied upon by any other party without our prior written consent. This letter is being furnished to you solely for your benefit in connection with your purchase of the Certificates and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the execution and delivery of the Certificates or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement.

Our engagement with respect to the Certificates terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events

occurring after the date hereof with respect to the Certificates or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Certificates or by any other party to whom it is not addressed other than you.

Respectfully submitted,

ASSIGNMENT AGREEMENT

by and between

VALLECITOS WATER DISTRICT FINANCING CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

Dated as of August 1, 2021

RELATING TO

\$ \_\_\_\_\_

VALLECITOS WATER DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
SERIES 2021A

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## ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of August 1, 2021 by and between VALLECITOS WATER DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”) and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”);

NOW, THEREFORE, IN CONSIDERATION 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 in hand received, does hereby sell, assign and transfer to the Trustee without recourse, for the benefit of the owners of the Vallecitos Water District Revenue Certificates of Participation, Series 2021A (the “Certificates”), to be executed and delivered by the Trustee pursuant to the Trust Agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and among the Vallecitos Water District (the “District”), the Corporation and the Trustee, all of its rights and privileges under the Master Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof (as supplemented and amended, the “Master Contract”), including but not limited to the Third Supplemental Installment Purchase Contract, dated as of August 1, 2021 (the “Third Supplemental Installment Purchase Contract”), including the right to receive all installment payments from the District under the Third Supplemental Installment Purchase Contract (but not including the right to be indemnified and the right to receive notices pursuant to the Master Contract), together with any and all of the other rights of the Corporation under the Master Contract as may be necessary to enforce payment of such installment payments when due or otherwise to protect the interests of the owners of the Certificates.

All rights assigned by the Corporation shall be administered by the Trustee as assignee thereof according to the provisions of the Trust Agreement and for the equal and proportionate benefits of the Owners of the Certificates. This assignment is absolute and presently effective.

### SECTION 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the purpose of securing the right assigned to it to receive all such installment payments from the District under the Installment Purchase Agreement and the other rights assigned to it, subject to the terms and provisions of the Trust Agreement, and all such installment payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

### SECTION 3. Conditions.

This Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Trust Agreement. This Assignment Agreement shall

constitute a complete assignment by the Corporation of all of its rights and obligations under and pursuant to the Installment Purchase Agreement, except as otherwise provided herein.

SECTION 4. Concerning the Trustee. U.S. Bank National Association is executing this Assignment Agreement solely in its capacity as Trustee under the Trust Agreement, and in acting hereunder shall be entitled to all of the rights, privileges, protections immunities and indemnities afforded to the Trustee under the Trust Agreement, as if fully set forth herein.

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

VALLECITOS WATER DISTRICT  
FINANCING CORPORATION

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

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer