

TRUST AGREEMENT

Dated as of September 1, 2020

by and among

U.S. BANK NATIONAL ASSOCIATION,
as Trustee,

and the

SANTA BARBARA COUNTY FINANCE CORPORATION, INC.

and the

LAGUNA COUNTY SANITATION DISTRICT

RELATING TO THE
LAGUNA COUNTY SANITATION DISTRICT
SANITATION SYSTEM REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2020

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TRUST AGREEMENT

This Trust Agreement (the “Trust Agreement”), dated as of September 1, 2020, by and among U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as Trustee (the “Trustee”), the Santa Barbara County Finance Corporation, Inc., a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the “Corporation”), and the Laguna County Sanitation District, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California (the “District”);

W I T N E S S E T H:

WHEREAS, the District and the Corporation have executed and entered into a 2020 Installment Sale Agreement (the “2020 Installment Sale Agreement”) dated as of September 1, 2020, whereby the District has determined that it is in the best interests of the District and the residents therein and that it is necessary and proper for the District that it finance the acquisition and construction of certain improvements to the Sanitation System of the District to be acquired under the 2020 Installment Sale Agreement; and

WHEREAS, under and pursuant to the 2020 Installment Sale Agreement, the Corporation has agreed to assist the District, and the District has agreed to make scheduled installment payments (the “2020 Installment Payments”) to the Corporation for such purpose, as provided therein; and

WHEREAS, the Corporation has assigned without recourse all of its rights under the 2020 Installment Sale Agreement (including its right to receive the 2020 Installment Payments due under the 2020 Installment Sale Agreement) to the Trustee pursuant to an Assignment Agreement (the “Assignment Agreement”) dated as of September 1, 2020, by and between the Corporation and the Trustee; and

WHEREAS, in consideration of such assignment by the Corporation and the execution and entering into of the Trust Agreement, the Trustee has agreed to execute Laguna County Sanitation District Sanitation System Revenue Certificates of Participation, Series 2020 (the “Certificates”) in the aggregate principal amount equal to the aggregate principal components of the 2020 Installment Payments, each evidencing and representing a proportionate, undivided interest in the 2020 Installment Payments; and

WHEREAS, the Corporation and the District hereby certify 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 entering into of the Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Trust Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR

OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

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 Certificates and of any certificate, opinion, request 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:

Assignment Agreement

“Assignment Agreement” means the Assignment Agreement dated as of September 1, 2020, by and between the Corporation and the Trustee.

Business Day

“Business Day” means any day on which the Trustee is open for corporate trust business at its Corporate Trust Office and on which the Federal Reserve System is open for business.

Certificate Payment Date

“Certificate Payment Date” means, with respect to any Certificate, the December 1 date that is the Certificate Payment Date designated therein.

Certificates

“Certificates” means the Laguna County Sanitation District Sanitation System Revenue Certificates of Participation, Series 2020 authorized hereby and at any time Outstanding hereunder that are executed and delivered by the Trustee under and pursuant to Article II.

Certification

“Certification,” when used with respect to the District, means an instrument in writing signed on behalf of the District by the Chairman or the Vice Chairman of its Board, the District Treasurer or his designee, or by any other officer of the District duly authorized by the Board of the District for the purpose of signing documents on its behalf hereunder, and by the Clerk of the Board of the District, and when used with respect to the Corporation, means an instrument in writing signed on behalf of the Corporation by the President of the Corporation or the Treasurer of the Corporation, or by any other officer of the Corporation duly authorized by the Board of Directors of the Corporation for the purpose of signing documents on its behalf hereunder.

Code

“Code” means the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

Continuing Disclosure Agreement

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated __, 2020, by and between the District and U.S. Bank National Association, as dissemination agent.

Corporate Trust Office

“Corporate Trust Office” means the corporate trust office of the Trustee in Los Angeles, California; provided, that with respect to the presentation of any Certificates under the Trust Agreement for registration, payment, transfer or exchange, such term shall mean for such purposes the corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other office as may be designated in writing from time to time to the Corporation and to the District by the Trustee.

Corporation

“Corporation” means the Santa Barbara County Finance Corporation, Inc., a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Costs of Issuance

“Costs of Issuance” means all costs and expenses payable by or reimbursable to the Corporation or the District that are related to the authorization, execution and delivery of the 2020 Installment Sale Agreement, the Assignment Agreement and the Trust Agreement and the original execution and delivery of the Certificates, including, but not limited to, costs of preparation, printing and reproduction of documents, rating agency fees, filing and recording fees, initial fees and charges of the Trustee (including fees and expenses of its counsel), financial advisory and legal fees and charges and other consultants’ and professionals’ fees and charges, together with all fees and charges related to the original execution and delivery of the Certificates, and any other cost or expense in connection with the sale of the Certificates.

Costs of Issuance Fund

“Costs of Issuance Fund” means the Laguna County Sanitation District 2020 Sanitation System Revenue Certificates of Participation Costs of Issuance Fund established pursuant to Section 3.02.

District

“District” means the Laguna County Sanitation District, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California.

Event of Default

“Event of Default” means an event described as such in Section 7.01 of the 2020 Installment Sale Agreement.

Federal Securities

“Federal Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal, or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities.

Fiscal Year

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

2020 Installment Payments

“2020 Installment Payments” means all amounts payable by the District as 2020 Installment Payments pursuant to the 2020 Installment Sale Agreement.

2020 Installment Payment Fund

“2020 Installment Payment Fund” means the Laguna County Sanitation District 2020 Sanitation System Facilities Installment Payment Fund established pursuant to Section 5.01(b).

2020 Installment Sale Agreement

“2020 Installment Sale Agreement” means the 2020 Installment Sale Agreement dated as of September 1, 2020, by and between the District and the Corporation, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance with its terms.

2020 Interest Account

“2020 Interest Account” means the account within the 2020 Installment Payment Fund referred to by that name established pursuant to Section 5.02(a)(i).

Interest Payment Date

“Interest Payment Date” means a date on which the interest components of the 2020 Installment Payments evidenced and represented by the Certificates become due and payable, being June 1 and December 1 of each year to which reference is made (commencing on June 1, 2021).

Investment Securities

“Investment Securities” means and includes any of the following securities, to the extent permitted by the laws of the State of California and the District’s Investment Policy as it may be amended from time to time:

(i) Direct obligations (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and obligations of the Government National Mortgage Association), or obligations for which the principal of and interest on are unconditionally guaranteed by the United States of America;

(ii) Bonds, debentures or notes or other evidence of indebtedness payable in cash issued by the United States Treasury which represents the full faith and credit of the United States of America or the following Federal agencies: Federal Home Loan Bank, Export Import Bank of the United States, Federal Financing Bank, Federal Farm Credit Bank, Farmer’s Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Corporation, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation;

(iii) Certificates of deposit issued by banks (including the Trustee), state banking corporations and savings banks and properly secured at all times by collateral security described in clauses (i) or (ii) above and rated at least “A” or better by S&P;

(iv) The following investments fully insured by the Federal Deposit Insurance Corporation: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of state or national banks (including the Trustee);

(v) Repurchase agreements or collateralized investment agreements with state or national banks or any broker-dealer with “retail customers” which falls under the jurisdiction of the Securities Investors Protection Corporation or other non-bank financial institution; provided, that: (a) the collateralization is at least one hundred two per cent (102%), valued daily, with the repurchase agreement having a maturity not to exceed one (1) year, (b) the Trustee or a third party on behalf of the Trustee has possession of such obligations, (c) the Trustee has perfected a first priority security interest in such obligations, (d) such obligations are free and clear of claims of third parties, (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral, and (f) eligible collateral will include: (I) direct obligations of the Department of the Treasury of the United States of America (including obligations of the Government National Mortgage Association), and (II) bonds, debentures or notes or other evidence of indebtedness payable in cash issued by either or a combination of the following federal agencies: the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation;

(vi) Money market funds rated at least “A” or better by S&P, or money market funds comprised of obligations described in clause (i) above or repurchase agreements or interest rate swap agreements collateralized by such obligations, which such funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other services;

(vii) Tax-exempt obligations rated in either of the two (2) highest rating categories by S&P, including money market funds comprised solely of such obligations;

(viii) Participation in the Santa Barbara County Investment Pool;

(ix) The Local Agency Investment Fund (Sections 53600-53609 of the California Government Code, as amended or supplemented from time to time); provided, that such investment is held in the name and to the credit of the Trustee; and provided further, that the Trustee may restrict such investment if required to keep monies available for the purposes hereof;

(x) Certificates of deposit, time deposits, money market deposits, demand deposits and bankers’ acceptances of any nationally or state-chartered bank, savings association, federal association, or state-licensed branch of a foreign bank (including those of the Trustee, its parent and its affiliates) the short-term obligations of which are rated on the date of purchase “A-1” or better by S&P and certificates of deposit (including those of the Trustee, its parent and its affiliates);

(xi) Commercial paper subject to the following: (a) the issuing entities are rated at least A-1 or P-1 by S&P; (b) the maturity is no longer than 270 days from the date of purchase; and (c) the commercial paper is issued by a U.S. corporation or a domestic branch of a foreign corporation whose assets exceed \$500 million;

(xii) FDIC insured deposit accounts authorized pursuant to Sections 53601.8 and 53635.8 of the California Government Code; provided that (a) the deposit of funds is placed directly with a selected depository institution not to exceed the issuance limit from the FDIC; and (b) the full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by the FDIC; and

(xiii) Bond issued by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB); provided that (a) the maximum maturity of an issue shall be 5 years; and (b) the security is rated “AA” by at least one of the three major rating agencies (Moody’s, Standard & Poor’s, or Fitch).

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

Outstanding

“Outstanding,” when used as of any particular time with reference to the Certificates, means (subject to the provisions of Section 9.02) all Certificates executed and delivered hereunder except:

- (1) Certificates 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; and
- (3) Certificates in lieu of and in substitution for which other Certificates shall have been executed and delivered by the Trustee hereunder.

Owner

“Owner” means the registered owner of any Outstanding Certificate, as shown on the registration books maintained by the Trustee pursuant to Section 2.07.

2020 Principal Account

“2020 Principal Account” means the account within the 2020 Installment Payment Fund referred to by that name established pursuant to Section 5.02(a)(ii).

Principal Payment Date

“Principal Payment Date” means a date on which the principal components of the 2020 Installment Payments evidenced and represented by the Certificates become due and payable, being December 1 of each year from December 1, 2021, to and including December 1, ____.

Purchaser

“Purchaser” means _____, as purchaser of the Certificates upon the original delivery thereof.

Rating

“Rating” means any currently effective rating on the Certificates issued by S&P.

Rebate Fund

“Rebate Fund” means the Laguna County Sanitation District Sanitation System Revenue Certificates of Participation Rebate Fund established pursuant to Section 5.04.

Rebate Requirement

“Rebate Requirement” means the requirement defined as such in the Tax Certificate.

Record Date

“Record Date” means, with respect to the payment of interest evidenced and represented by the Certificates on any Interest Payment Date, the fifteenth (15th) day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

Request

“Request,” when used with respect to the District, means an instrument in writing signed on behalf of the District by the Chair or the Vice Chair of the Board of the District, the District Treasurer or his designee, or by any other officer of the District duly authorized by the Board of the District for the purpose of signing documents on its behalf hereunder, and when used with respect to the Corporation, means an instrument in writing signed on behalf of the Corporation by the President of the Corporation or the Treasurer of the Corporation, or by any other officer of the Corporation duly authorized by the Board of Directors of the Corporation for the purpose of signing documents on its behalf hereunder.

Sanitation System

“Sanitation System” means properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to sanitation service, including all additions, extensions, expansions, improvements and betterments thereto and equipments thereof, together with any other properties or assets hereafter determined by the Board of Directors to be part of the Sanitation System.

S&P

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the District.

Supplemental Trust Agreement

“Supplemental Trust Agreement” means an agreement by and among the parties hereto amending or supplementing the Trust Agreement entered into pursuant to the conditions and terms hereof.

Tax Certificate

“Tax Certificate” means the certificate executed by the District at the time of the original execution and delivery of the Certificates relating to the requirements of the Code, as such certificate may be amended or supplemented from time to time.

Treasurer

“Treasurer” means the Treasurer of the District.

Trust Agreement

“Trust Agreement” means this Trust Agreement dated as of September 1, 2020, by and among the Trustee, the Corporation and the District, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance with its terms.

Trustee

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its Corporate Trust Office, as Trustee hereunder, or any successor Trustee hereunder which may at any time be substituted in place of the original or any successor Trustee as provided in Section 8.02, at its Corporate Trust Office.

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

ARTICLE II

CONDITIONS AND TERMS OF CERTIFICATES

SECTION 2.01. Preparation of Certificates.

The Trustee is hereby authorized and directed to execute the Certificates in the aggregate principal amount of \$_____, evidencing and representing the aggregate principal components of the 2020 Installment Payments and the interest accruing thereon and each evidencing and representing a proportionate, undivided interest in the 2020 Installment Payments and the interest accruing thereon.

SECTION 2.02. Denominations, Medium, Method and Place of Payment and Dating of Certificates. The Certificates shall be prepared in the form of fully registered certificates of participation in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, except that no Certificate shall have more than one Certificate Payment Date. The interest and principal evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. The interest evidenced and represented by the Certificates shall be payable on their respective Interest Payment Dates by check mailed by first class mail 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 2.07 at the close of business on each Record 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 shall, at such Owner's option, be made by wire transfer of immediately available funds to a designated account in any state or national bank located in the United States of America that is a member of the Federal Reserve System in accordance with written instructions provided by such Owner to the Trustee prior to such Record Date), and the principal evidenced and represented by the Certificates shall be payable on their respective Certificate Payment Dates upon surrender thereof to the Trustee by the respective Owners thereof at its Corporate Trust Office. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not such 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 evidenced and represented by such 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 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.

The Certificates shall be dated the date of the initial delivery thereof, and shall evidence and represent interest from their date, and if interest has not been paid when due with respect to any Outstanding Certificate, interest shall be payable from the Interest Payment Date to which interest has been paid with respect to such Outstanding Certificate. Interest evidenced and represented by the Certificates shall be payable from the Interest Payment Date next preceding the date of execution of the Certificates, unless such date of execution is after the Record Date next preceding an Interest Payment Date and on or prior to such Interest Payment Date, in which case interest shall be payable from such Interest Payment Date, or unless the date of execution is on or prior to May 15, 2021, in which case interest shall be payable from their date.

In the event that any date for the payment of the interest or principal evidenced and represented by any Certificates falls on a day which is not a Business Day, the interest or principal evidenced and represented by such Certificates which are due and payable on such date shall be paid by the Trustee on the next succeeding Business Day.

SECTION 2.03. Payment Dates of Certificates.

(a) The Certificates shall have Certificate Payment Dates and shall evidence and represent principal components of 2020 Installment Payments in the principal amounts, with interest accruing thereon (computed on the basis of a 360-day year of twelve (12) 30-day calendar months) at the rates shown below, as follows:

Certificate Payment Date	Principal Amount	Interest Rate
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[to come]

(b) The interest evidenced and represented by the Certificates shall become due and payable on their respective Interest Payment Dates, beginning on the Interest Payment Date following their date and continuing to and including their Certificate Payment Dates, and shall evidence and represent the portions of the 2020 Installment Payments, constituting the interest components thereof becoming due and payable on the Interest Payment Dates in each year.

(c) The principal evidenced and represented by the Certificates shall become due and payable on their respective Certificate Payment Dates, and shall evidence and represent in sum the portions of the 2020 Installment Payments, constituting the principal components thereof becoming due and payable on the Certificate Payment Dates in each year.

SECTION 2.04. Form of Certificates. The Certificates (and the assignment to appear thereon) shall be in substantially the form set forth in Exhibit A attached hereto and made a part hereof, with appropriate or necessary insertions, omissions and variations as permitted or required thereby.

SECTION 2.05. Execution of Certificates. The Certificates shall be executed by the Trustee by the manual signature of an authorized signatory of the Trustee.

SECTION 2.06. Transfer and Exchange of Certificates. All the Certificates shall be transferable or exchangeable by the Owners thereof, in person or by attorney duly authorized in writing, in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 at the Corporate Trust Office of the Trustee, upon surrender of such Certificates accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Whenever any Certificate or Certificates shall be surrendered for transfer or exchange, the Trustee shall execute and deliver a new Certificate or Certificates of authorized denominations of the same Certificate Payment Date representing the same aggregate principal amount, except that the Trustee shall require the payment by any Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with

respect to such transfer or exchange. All Certificates surrendered pursuant to the provisions of this section shall be cancelled by the Trustee.

SECTION 2.07. Registration of Certificates. The Trustee will keep at its Corporate Trust Office sufficient books for the registration of the ownership, transfer or exchange of the Certificates, which books shall be available for inspection by the Corporation or the District under reasonable conditions and upon reasonable prior notice during regular business hours of the Trustee. Upon presentation to the Trustee by any Owner of Certificates for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership, transfer or exchange of such Certificates in such books as hereinabove provided, and the ownership of any Certificates shall be proved by the books required to be kept by the Trustee pursuant to the provisions hereof.

SECTION 2.08. Temporary Certificates. The Certificates may be originally executed and delivered in temporary form exchangeable for definitive Certificates when ready for delivery, and every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it will prepare and execute definitive Certificates without delay, and in that case, upon demand of the Owner of any temporary Certificates, such definitive Certificates shall be exchanged without cost to such Owner for temporary Certificates at the Corporate Trust Office of the Trustee upon surrender of such temporary Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefit, protection and security hereunder as the definitive Certificates executed and delivered hereunder. All temporary Certificates surrendered pursuant to the provisions of this section shall be cancelled by the Trustee.

SECTION 2.09. Certificates Mutilated, Destroyed, Lost or Stolen. If any Certificate shall become mutilated or shall be believed to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Certificate to the Trustee at its Corporate Trust Office, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss, and upon indemnity satisfactory to the District and the Trustee, and upon payment of all expenses incurred by the District in the premises, the Trustee shall execute and deliver at its Corporate Trust Office a new Certificate of like tenor and Certificate Payment Date in lieu of and in substitution for the destroyed, lost or stolen Certificate; provided, that the Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under this section and of the expenses which may be incurred by it under this section; and provided further, that rather than executing and delivering a new Certificate for a mutilated, destroyed, lost or stolen Certificate which the Certificate Payment Date of which has occurred, the Trustee may make payment of the principal evidenced and represented by such mutilated, destroyed, lost or stolen Certificate directly to the Owner thereof under such regulations as the Trustee may prescribe, including the provision of indemnity satisfactory to the Trustee. Any replacement Certificate executed and delivered under the provisions of this section in lieu of and in substitution for any mutilated, destroyed, lost or stolen Certificate shall be equally and proportionately entitled to the benefit, protection and security hereof with all other Certificates executed and delivered hereunder; and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal

amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and the replacement Certificate shall be treated as one and the same.

SECTION 2.10. Use of Depository for Certificates.

(a) Notwithstanding any provision contained herein to the contrary, The Depository Trust Company, New York, New York (or its agent), is hereby appointed depository for the Certificates, and the Certificates shall be registered on original delivery in the name of “Cede & Co.,” as nominee of The Depository Trust Company, and shall be evidenced by one Certificate payable on each of the Certificate Payment Dates set forth in Section 2.03, each of which Certificates shall be in the principal amount corresponding to the total principal amount of the Certificates to become payable on such Certificate Payment Date, and which shall be numbered in consecutive numerical order in such manner as the Trustee determines. Registered ownership of the Certificates, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of The Depository Trust Company or its nominee, or to any substitute depository designated pursuant to clause (ii) of this subsection (a “substitute depository”); provided, that any successor of The Depository Trust Company or any substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) To any substitute depository designated by the District upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (2) a determination by the District that The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository upon a determination by the District that no substitute depository can be obtained, or (2) a determination by the District that it is in the best interests of the District to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository hereunder.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a), upon receipt of all Outstanding Certificates by the Trustee together with a Request of the District, a new Certificate shall be executed and delivered for each maturity of the Certificates then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a), upon receipt of all Outstanding Certificates by the Trustee together with a Request of the District, new Certificates shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Request of the District, subject to the limitations of Section 2.02; provided, that the Trustee

shall not be required to deliver such new Certificates within a period less than sixty (60) days from the date of receipt of such Request of the District; and provided further, that subsequent to any transfer pursuant to clause (iii) of subsection (a) the Certificates shall be transferred as provided in Section 2.06.

(c) In the case of partial prepayment or an advance refunding of the Certificates evidencing all or a portion of the principal components of the 2020 Installment Payments becoming payable in a particular year, The Depository Trust Company shall make an appropriate notation on the Certificates indicating the date and amounts of such reduction in principal; provided, that neither the District nor the Trustee shall be liable for any failure or error of The Depository Trust Company in making such notation, and the records of the Trustee as to the Outstanding Certificates shall be controlling.

(d) The District and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the District or the Trustee; and the District and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Certificates, and neither the District nor the Trustee shall have any responsibility or obligations, legal or otherwise, to the beneficial owners of the Certificates or to any other party, including The Depository Trust Company or its successor (or any substitute depository or its successor), except as any such party may be the Owner of a Certificate.

(e) So long as the Outstanding Certificates are registered in the name of Cede & Co. or its registered assigns, the District and the Trustee shall cooperate with Cede & Co. as such registered Owner and its registered assigns in effecting payment of the interest and principal evidenced and represented by the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

ARTICLE III

PROCEEDS OF CERTIFICATES; OTHER FUNDS

SECTION 3.01. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver the Certificates to the Purchaser upon receipt of a Request of the District and upon receipt from the Purchaser of the proceeds of sale thereof.

SECTION 3.02. Deposit of Proceeds of Certificates. (a) Upon the receipt of the proceeds of sale of the Certificates in the amount of \$_____ (consisting of the principal amount of \$_____, plus an original issue premium in the amount of \$_____, less an underwriter's discount in the amount of \$_____) from the Purchasers, when the same shall have been duly executed and delivered, the Trustee shall, upon the Request of the District, make deposits from the proceeds of sale of the Certificates in the funds and accounts below, which the Trustee shall establish, as follows:

(b) The net proceeds from the sale of the Certificates shall be deposited by the Trustee as follows:

(i) \$_____ shall be deposited in the 2020 Account of the Project Fund; and

(ii) \$_____ shall be deposited in the 2020 Account of the Costs of Issuance Fund.

(c) Project Fund. All moneys in the Project Fund shall be applied by the Trustee to the payment of Costs of the Projects and of expenses incident thereto (or for making reimbursements to the District or any other person, firm or corporation for such costs theretofore or thereafter paid by it).

Before any payment is made from the Project Fund by the Trustee, the District shall cause to be filed with the Trustee:

(a) Request of the District, showing with respect to each payment to be made:

(i) the particular account or subaccount from which such payment shall be made;

(ii) the item number of the payment;

(iii) the name and address of the person to whom payment is due;

(iv) the amount to be paid; and

(v) the purpose for which the obligation to be paid was incurred.

(b) Each such Request shall state that obligations in the stated amounts have been incurred and that each item thereof is a proper charge against the Project Fund.

Upon receipt of each such Request, the Trustee will pay the amount set forth in such Request as directed by the terms thereof. Each such Request shall be sufficient evidence to the Trustee of the facts stated therein. The 2020 Account of the Project Fund shall be closed on the date set forth in a Request, and excess funds, if any, shall be transferred to the 2020 Installment Payment Fund.

(d) Costs of Issuance Fund. All money in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance (or to reimburse the District for such costs) pro rata upon receipt of a Request of the District filed with the Trustee, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. On _____ 1, 2020, any remaining balance in each of the Accounts in the Costs of Issuance Fund shall be transferred by the Trustee to the 2020 Installment Payment Fund and the Costs of Issuance Fund shall be closed.

The Trustee may establish a temporary fund or account in its records to facilitate any of the deposits referred to in this section.

ARTICLE IV

PREPAYMENT OF CERTIFICATES

SECTION 4.01. Prepayment of Certificates.

(a) Optional Prepayment of Certificates. Except as set forth below, the Certificates with a stated Certificate Payment Date before December 1, ____, will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The Certificates with a stated Certificate Payment Date on or after December 1, ____, will be subject to prepayment prior to their stated Certificate Payment Date, at the option of the District, from any available source of funds, as a whole or in part (among Series and Certificate Payment Dates as directed by the District) on any date on or after December 1, ____ at the principal amount evidenced and represented thereby, plus interest evidenced and represented thereby accrued to the date of prepayment, without premium.

(b) Extraordinary Prepayment from Insurance Proceeds. The Certificates are subject to prepayment prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, on any date as a whole or in part (among Series and Certificate Payment Dates as directed by the District), from amounts deposited in the Prepayment Account from insurance proceeds transferred to the Trustee pursuant to the 2020 Installment Sale Agreement, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for payment, without premium.

(c) [Sinking Fund Prepayment of Certificates With Certificate Payment Date of December 1, ____ . The Certificates with a Certificate Payment Date of December 1, ____ are also subject to mandatory prepayment prior to their stated Certificate Payment Date in part on December 1 of each year on and after December 1, ____, by lot, from and in the amount of the principal components of the 2020 Installment Payments applicable thereto and due and payable on such dates, at a prepayment price equal to the sum of the principal amount represented thereby plus accrued interest represented thereby to the date of prepayment, without premium. The principal component of each such 2020 Installment Payment is set forth below:]

December 1

Amount

SECTION 4.02. Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates of a Series are to be prepaid on any one date, the Trustee shall select the Certificate Payment Dates of the Certificates of such Series to be so prepaid and the amount of Certificates with such respective Certificate Payment Dates in accordance with the provisions contained in a Request of the District. Whenever less than all of the Outstanding Certificates of any one Certificate Payment Date of a Series are to be prepaid on any one date, the Trustee shall select the Certificates of such Certificate Payment Date of such Series to be prepaid in whole or in part from the Outstanding Certificates of such Certificate Payment Date by lot in any manner that the Trustee deems appropriate and fair, and the Trustee shall promptly notify the District in writing of the numbers of the Certificates so selected for prepayment in whole or in part on such date.

SECTION 4.03. Notice of Prepayment. Notice of prepayment shall be given by first class mail in accordance with Section 11.07 to the respective Owners of any Certificates designated for prepayment in whole or in part prior to their prepayment date. Notice of prepayment shall be mailed by first class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the prepayment date. Each notice of prepayment shall state the date of notice, the prepayment date, the prepayment place and the prepayment price, shall designate the Series, Certificate Payment Dates, CUSIP numbers, if any, and the serial numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates of a Series between two stated numbers, both inclusive, have been called for prepayment, shall (in the case of any Certificate called for prepayment in part only) state the part of the principal amount evidenced and represented thereby which is to be prepaid, and shall state that the interest evidenced and represented by the Certificates of a Series or parts thereof designated for prepayment shall cease to accrue from and after such prepayment date and that on such prepayment date there will become due and payable on each of the Certificates of a Series or parts thereof designated for prepayment the prepayment price evidenced and represented thereby.

In case of the prepayment of all the Certificates then Outstanding or all of the Certificates of the same Certificate Payment Date, the notice of prepayment need not specify the serial numbers of such Certificates.

The Trustee shall give notice of prepayment of any Certificates or parts thereof to be prepaid upon receipt of a Request of the District (which Request shall be given to the Trustee at least forty-five (45) days prior to the date fixed for prepayment or such lesser number of days acceptable to the Trustee in its sole discretion, such notice for the convenience of the Trustee).

Neither failure to mail any notice of prepayment nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for the prepayment of any of the Certificates for which notice was properly given.

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 Request of the District to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of prepayment being cancelled.

SECTION 4.04. Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates representing the unpaid principal amount of the Certificate so surrendered.

SECTION 4.05. Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and money for the payment of the prepayment price of the Certificates or parts thereof to be prepaid is held by the Trustee, then on the prepayment date designated in such notice, the Certificates or such parts thereof so called for prepayment shall become payable at the prepayment price evidenced and represented thereby as specified in such notice; and from and after the date so designated interest evidenced and represented by the Certificates or such parts thereof so called for prepayment shall cease to accrue, such Certificates or such parts thereof shall cease to be entitled to such benefit, protection or security hereunder and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the prepayment price evidenced and represented by the Certificates or such parts to be prepaid. The Trustee shall, upon surrender for prepayment of any of the Certificates to be prepaid in whole or in part on their prepayment dates, pay such Certificates or such parts thereof at the prepayment price evidenced and represented thereby.

All Certificates paid pursuant to the provisions of this Article shall be cancelled by the Trustee and shall not be redelivered.

ARTICLE V

2020 INSTALLMENT PAYMENTS

SECTION 5.01. Use of 2020 Installment Payments.

(a) The 2020 Installment Payments (which have been assigned to the Trustee pursuant to the Assignment Agreement) shall be used by the Trustee for the punctual payment of the interest and principal evidenced and represented by the Certificates, and shall not be used for any other purpose while any of the Certificates remain Outstanding. All 2020 Installment Payments shall be paid directly to the Trustee, as provided in the Assignment Agreement, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof.

(b) All 2020 Installment Payments shall be held in trust by the Trustee under the terms hereof and shall be deposited by it as and when received in a separate fund to be known as the "Laguna County Sanitation District 2020 Sanitation System Facilities Installment Payment Fund," which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit of the District until deposited in the accounts provided in Section 5.02, whereupon such money shall be held in trust in such accounts by the Trustee for the benefit of the Owners. The District and the Corporation (to the extent of their rights, if any, in the 2020 Installment Payment Fund, although it is the intent of the parties hereto that the Corporation not have any right, title or interest in or to the 2020 Installment Payment Fund) hereby pledge and grant a lien

on and a security interest in the 2020 Installment Payment Fund to the Trustee for the benefit of the Owners.

SECTION 5.02. Deposit of Money in the 2020 Installment Payment Fund.

(a) The Trustee shall deposit the money contained in the 2020 Installment Payment Fund into the following respective accounts at the following respective times in the manner hereinafter provided, each of which accounts the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(i) 2020 Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the 2020 Interest Account that amount of money representing the portion of the 2020 Installment Payments constituting the interest components thereof becoming due and payable on such Interest Payment Date. All money in the 2020 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest components evidenced and represented by the Certificates on their respective Interest Payment Dates.

(ii) 2020 Principal Account. The Trustee, on each Principal Payment Date, shall deposit in the 2020 Principal Account that amount of money representing the portion of the 2020 Installment Payments constituting the principal components thereof becoming due and payable on such Principal Payment Date. All money in the 2020 Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal components evidenced and represented by the Certificates on their respective Certificate Payment Dates.

All money remaining in the 2020 Installment Payment Fund on the Business Day immediately following each Interest Payment Date (to the extent not required to pay the interest and principal then due and payable with respect to the Certificates) shall remain therein. Any money remaining in the 2020 Installment Payment Fund, after payment of all Certificates, including accrued interest, if any, and payment of any applicable fees and expenses of the Trustee, or provision for such payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee from the 2020 Installment Payment Fund and remitted to the District for deposit in the Surplus Fund.

SECTION 5.03. [Reserved].

SECTION 5.04. Rebate Fund. The District agrees to establish and maintain with the Trustee so long as any Certificates are Outstanding a fund separate from any other fund established and maintained hereunder designated the “Laguna County Sanitation District 2020 Sanitation System Revenue Certificates of Participation Rebate Fund.” The Trustee shall deposit in the Rebate Fund the Rebate Requirement in accordance with the Tax Certificate as directed by the District in an appropriate Request of the District filed with the Trustee. The Trustee will apply all money held in the Rebate Fund as provided in Section 6.04 and the Tax Certificate as directed by the District in an appropriate Request of the District filed with the Trustee, and

subject to the provisions of Section 6.04, all money held in the Rebate Fund is hereby pledged to secure payments to the United States of America, and the Corporation, the District and the Owners shall have no rights in or claims to such money.

In accordance with the Tax Certificate, the Trustee will remit part or all of the balance held in the Rebate Fund to the United States of America, but only as directed by the District in an appropriate Request of the District filed with the Trustee, and in addition, if the Tax Certificate so requires, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as provided in the Tax Certificate, but only as directed by the District in an appropriate Request of the District filed with the Trustee. The Trustee shall be deemed conclusively to have complied with the Tax Certificate and this section if it follows the directions of the District, and shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate.

ARTICLE VI

COVENANTS

SECTION 6.01. Compliance With Trust Agreement. The Trustee will not execute or deliver the 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 it.

SECTION 6.02. Compliance With 2020 Installment Sale Agreement. Subject to the transfer of the Corporation's rights under the 2020 Installment Sale Agreement to the Trustee pursuant to the Assignment Agreement, the Corporation and the District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the 2020 Installment Sale Agreement required to be observed and performed by them, and each will enforce the 2020 Installment Sale Agreement against the other party thereto in accordance with its terms.

Subject to the transfer of the Corporation's rights under the 2020 Installment Sale Agreement to the Trustee pursuant to the Assignment Agreement, the Corporation and the District will not amend the 2020 Installment Sale Agreement without the prior written consent of the Trustee, which consent shall be given only if an Opinion of Counsel is delivered to the Trustee that such amendment will not result in any material impairment of the security given or intended to be given by the 2020 Installment Sale Agreement for the payment of the 2020 Installment Payments.

SECTION 6.03. Observance of Laws and Regulations. The Corporation and the District will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such

franchises, rights and privileges shall be maintained and preserved and shall not be abandoned or forfeited or in any manner impaired.

SECTION 6.04. Tax Covenants. The District will at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest evidenced and represented by the Certificates will not be included in the gross income of the Owners of the Certificates for federal income tax purposes under the Code and will take no action that would result in such interest being so included, and without limiting the foregoing, the District will at all times comply with the requirements of the Tax Certificate. This covenant shall survive any defeasance or discharge of the Certificates pursuant hereto.

SECTION 6.05. Prosecution and Defense of Suits. The District will defend against every action, suit or other proceeding at any time brought against the Trustee, the Corporation or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the 2020 Installment Payments or involving any rights or obligations of the Trustee or any Owner hereunder; provided, that the Trustee, the Corporation or any Owner at its or his or her election may appear in and defend any such action, suit or other proceeding. The District will indemnify and hold harmless the Trustee, the Corporation and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Trustee and the Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder or under the Certificates; provided, that with respect to the Owners, such litigation shall be concluded favorably to such Owners' contentions therein; and provided further, that with respect to the Owners, the District shall have first refused the defense of any such claim or assertion or shall have expressly granted permission of such person to defend against such claim or assertion at the expense of the District.

SECTION 6.06. Accounting Records and Statements. The Trustee will keep proper books of record and account in accordance with standard corporate trust accounting procedures in which accurate entries shall be made as applicable of all transactions of the Trustee relating to the receipt, investment, disbursement, allocation and application of the 2020 Installment Payments. 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, (d) the amounts and dates of any payments made with respect thereto, and (e) such documentation as is required to be obtained by the District as evidence to establish that all investments have been purchased in arms-length transactions with no amounts paid to reduce the yield on the investments.

With respect to any determinations required to be made pursuant to this section, the Trustee may request and the District shall provide any such determination, upon which determination the Trustee may conclusively rely. Such records shall be open to inspection by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the first (1st) day of _____ of each year, beginning in _____ 2020, and continuing so long as any Certificates are Outstanding, the Trustee will furnish to the Corporation, to the

District and to any Owner who may so request (at the expense of such Owner) a complete statement covering the receipts, deposits and disbursements of the 2020 Installment Payments during the immediately preceding twelve-month period.

SECTION 6.07. [Reserved].

SECTION 6.08. Continuing Disclosure. The District will comply with and carry out all of the provisions of that certain Continuing Disclosure Agreement, and notwithstanding any other provision hereof, failure of the District to comply with such Continuing Disclosure Agreement shall not be considered an Event of Default hereunder; provided, that any Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section.

SECTION 6.09. Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Corporation and 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 Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

SECTION 7.01. Action on Default. If any Event of Default shall happen, then such Event of Default shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates at the time Outstanding shall be entitled, upon notice in writing to the Corporation and to the District, to exercise the remedies provided to the Corporation in the 2020 Installment Sale Agreement; provided, that nothing contained herein shall affect or impair the right of action of any Owner to institute suit directly against the District to enforce payment of the obligation evidenced and represented by such Owner's Certificate.

SECTION 7.02. Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the District or any officer or employee of the District, and to compel the Corporation or the District or any such 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 suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default hereunder to require the Corporation or the District or any officer or employee of the District to account as the trustee of an express trust.

SECTION 7.03. Non-Waiver. A waiver of any default hereunder or breach of any obligation by the Trustee hereunder or by the Corporation under the 2020 Installment Sale Agreement shall not affect any subsequent default hereunder or any subsequent breach of an obligation by the District 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 Corporation or the Trustee, the Corporation and the Trustee shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

SECTION 7.04. Application of Funds. All money received by the Trustee pursuant to any right given or action taken under the provisions of this article or of Section 7.01 of the 2020 Installment Sale Agreement shall be deposited pro rata in a segregated account in the 2020 Installment Payment Fund and shall be applied by the Trustee (after payment of all amounts due and payable to it under Section 8.03) in the following order and upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, Costs and Expenses: to the payment of the fees and expenses of the Trustee and then the Owners in declaring such Event of Default and in the exercise of the remedies provided herein, including reasonable compensation to its or their agents, attorneys and counsel;

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

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

SECTION 7.05. 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 7.06. No Liability by the Corporation to the Owners. The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the 2020 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 2020 Installment Sale Agreement or herein required to be observed or performed by it, or with respect to the performance by the District or the Trustee of any obligation contained herein required to be performed by either of them.

SECTION 7.07. No Liability by the District to the Owners. Except for the payment when due of the 2020 Installment Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the 2020 Installment Sale Agreement or herein required to be observed or performed by it, the District shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the execution, delivery, transfer, exchange or cancellation of the Certificates or the receipt, deposit or disbursement of the 2020 Installment Payments by the Trustee, or with respect to the performance by the Corporation or the Trustee of any obligation contained herein required to be performed by either of them.

SECTION 7.08. 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 2020 Installment Payments by the District, or with respect to the observance or performance by the Corporation or the District of the other agreements, conditions, covenants and terms contained in the 2020 Installment Sale Agreement or herein required to be observed and performed by either of them.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. Employment and Duties of the Trustee. The District hereby appoints and employs U.S. Bank National Association as Trustee to receive, deposit and disburse the 2020 Installment Payments as provided herein, to register, execute, deliver, transfer, exchange and cancel the Certificates as provided herein, to pay the interest and principal evidenced and represented by the Certificates to the Owners thereof as provided herein and to perform the other obligations of the Trustee contained herein; all in the manner provided herein and subject to the conditions and terms hereof; and 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.

SECTION 8.02. Removal and Resignation of the Trustee. The District may, or in the event of a breach of trust by the Trustee hereunder, remove the original Trustee hereunder and any successor thereto by giving written notice of such removal to such Trustee and by giving notice by mail in accordance with Section 11.07 of such removal to all Owners of Certificates, and the original Trustee hereunder and any successor Trustee hereunder may at any time resign by giving written notice of such resignation to the District and by giving notice by mail in accordance with Section 11.07 of such resignation to all Owners of Certificates. Upon giving any such notice of removal or upon receiving any such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the District does not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a bank or trust company or national banking association doing corporate trust business and having a corporate trust office in San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervision or examination by state or national authorities; provided, that if such bank or trust company or national banking association 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 purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any removal or resignation of a Trustee hereunder and appointment of a successor Trustee hereunder shall become effective only after a successor Trustee shall have been appointed and only upon the acceptance of the appointment by such successor Trustee.

SECTION 8.03. Compensation and Indemnification of the Trustee. The District shall, subject to any agreement then in effect with the Trustee, pay the Trustee compensation for its services and reimburse the Trustee for all its advances, and its expenditures hereunder, including, but not limited to, advances to and fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder or under the 2020 Installment Sale Agreement, although the Trustee may take whatever legal actions are available to it directly against the District to recover such compensation or reimbursement.

To the extent permitted by law, the District does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of the Sanitation System by the District, (ii) any act of negligence of the District or of any of its agents, contractors, supervisors, employees, invitees, licensees or officers in connection with

the use of the Sanitation System, and (iii) the exercise of any rights or obligations of the Trustee hereunder (which such right of indemnification provided to the Trustee hereunder shall survive the discharge hereof or the resignation or removal of the Trustee); provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

SECTION 8.04. Protection of the Trustee. 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 herein, and no implied duties or obligations shall be read herein 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 hereby, 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.

The Trustee shall be protected and indemnified as stated herein by the District and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the 2020 Installment Sale Agreement, or of the assignment made to it of certain rights thereunder by the Assignment Agreement, or of the title or value of the Sanitation System, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its Corporate Trust Office. All recitals, warranties or representations contained therein are statements of the District, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the District, or any other party, of any funds which the Trustee properly releases to the District or which the District may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties (other than the Trustee) of the Trust Agreement, of any Certificate, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Trust Agreement), or with respect to any obligation of the Corporation or the District hereunder or under the 2020 Installment Sale Agreement.

Whenever in the observance or performance of its rights and obligations hereunder 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 Certification of the District, and such certification shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee shall not be required to take notice of, or take any action with respect to, any default by the District hereunder or under the 2020 Installment Sale Agreement or any Event of Default under Section 7.01 of the 2020 Installment Sale Agreement, other than a payment default specified in Section 7.01(1) thereof, unless the Trustee has been notified in writing of such Event of Default by the District or the Owners of twenty-five per cent (25%) in aggregate principal amount of the Outstanding Certificates.

The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the District as freely as if it were not the Trustee hereunder.

The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial or other liability or risk in the performance of any of its obligations hereunder or in the exercise of any of its rights hereunder and before taking any action hereunder the Trustee may require that indemnity satisfactory to it be furnished for all expenses to which it may be put and to protect it from all liability thereunder.

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 Certificates.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE TRUST AGREEMENT

SECTION 9.01. Amendment of or Supplement to the Trust Agreement.

(a) Amendment or Supplement With Consent of Owners. The Trust Agreement and the rights and obligations of the Trustee, the Corporation, the District and the Owners hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto when the written consents of the Owners of a majority in aggregate principal

amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.02, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest evidenced and represented by any Certificate or extend the time of payment thereof or reduce the amount of principal evidenced and represented by any Certificate or extend the Certificate Payment Date thereof without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendments hereof or supplements hereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) Amendment or Supplement Without Consent of Owners. The Trust Agreement and the rights and obligations of the Trustee, the Corporation, the District and the Owners hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto upon execution without the written consents of any Owners, but only to the extent permitted by law and only after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Corporation or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right reserved herein to or conferred herein on the Corporation or the District, and which in either case shall not adversely affect the interests of the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Corporation or the District may deem desirable or necessary, and which shall not adversely affect the interests of the Owners;

(iii) to amend or supplement the Trust Agreement in such manner as to preserve the exemption of the Certificates from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Trust Agreement under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect;

(iv) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest evidenced and represented by the Certificates from gross income for federal income tax purposes under the Code or the exemption of such interest from State of California personal income taxes;

(v) to make any other amendments or supplements that are not materially adverse to the interests of the Holders of the Certificates; or

(vi) to add to the rights of the Trustee.

SECTION 9.02. Disqualified Certificates. All Certificates held for the account of the District (but excluding Certificates held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action provided

herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this section.

SECTION 9.03. Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the District may determine that the Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of such Owner's Certificate for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the District shall so determine, new Certificates so modified as in the opinion of the District shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged without cost to such Owner for Certificates then Outstanding at the Corporate Trust Office of the Trustee upon surrender of such Outstanding Certificates. All Certificates surrendered to the Trustee pursuant to the provisions of this section shall be cancelled by the Trustee.

SECTION 9.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular Certificates owned by such Owner; provided, that due notation thereof is made on such Certificates.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Certificates and Trust Agreement.

(a) If the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Certificates the interest and principal evidenced and represented thereby at the times and in the manner provided herein and therein, then such Owners shall cease to be entitled to the pledge of and lien on the 2020 Installment Payments as provided herein, and all agreements and covenants of the District and the Corporation to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificates shall on or prior to their Certificate Payment Dates 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 which is sufficient to pay the interest and principal evidenced and represented by such Certificates payable on or prior to their Certificate Payment Dates.

(c) Any Outstanding Certificates shall prior to their Certificate Payment Dates be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the District shall remain liable for the payment of such Certificates, but only out of the money or securities deposited with the Trustee or an escrow

agent as hereinafter described) if there shall have been deposited with the Trustee or an escrow agent either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee or such escrow agent at the same time, shall be sufficient (as verified in writing by a report of an independent certified public accountant addressed to the Corporation, the District and the Trustee) to pay when due the interest evidenced and represented by such Certificates on and prior to their Certificate Payment Dates and the principal evidenced and represented by such Certificates on their Certificate Payment Dates.

(d) After the payment of the interest and principal evidenced and represented by all Outstanding Certificates as provided in this section, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall, after payment of all fees and expenses of the Trustee hereunder, pay over or deliver to the District all money or deposits or investments held by it pursuant hereto which are not required for the payment of the interest and principal evidenced and represented by such Certificates.

SECTION 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any Certificates which remains unclaimed for two (2) years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Certificates have become payable, shall be repaid by the Trustee 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 the interest and principal evidenced and represented by such Certificates; provided, that before being required to make any such payment to the District, the Trustee shall, at the expense of the District, give notice by mail in accordance with Section 11.07 to all Owners of Certificates and to such securities information services selected by the Trustee to comply with custom or the rules of any securities and exchange commission or brokerage board that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the District.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Benefits of the Trust Agreement Limited to Certain Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Trustee, the Corporation, the District and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be

observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee and the Owners.

SECTION 11.02. Successor Deemed Included in All References to Predecessor. Whenever either the Trustee or the Corporation or the District or any officer or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Trustee, the Corporation or the District or such officer or employee, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee, the Corporation or the District or any officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 11.03. 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 such Owner's 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 take 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 to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

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

SECTION 11.04. Waiver of Personal Liability. No officer or employee of the District shall be individually or personally liable for the payment of the interest or principal evidenced and represented by the Certificates, but nothing contained herein shall relieve any officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or by the 2020 Installment Sale Agreement or hereby.

SECTION 11.05. 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 11.06. Content of Certifications. Every Certification of the District or the Corporation with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons executing such certification have read such agreement, condition, covenant or term and the definitions herein relating thereto, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certification are based, (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not

such agreement, condition, covenant or term has been complied with, and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certification may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person or persons executing such certification know that the Opinion of Counsel with respect to the matters upon which his or their certification may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 11.07. Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Certificates shall be given by mailing a copy of such notice, first class postage prepaid, to the Owners of such Certificates at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 not less than thirty (30) days nor more than sixty (60) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

SECTION 11.08. Accounts and Funds. Any account or fund required to be established and maintained herein 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 purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with corporate trust accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners.

SECTION 11.09. Investments. Any money held by the Trustee hereunder shall be held in trust accounts or demand or time deposits (including certificates of deposit) of any bank (including the Trustee) authorized to accept deposits of public funds, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except that any such money shall be invested by the Trustee as directed by the District in Investment Securities which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder. Investment instructions of the District shall be furnished to the Trustee at least two (2) Business Days prior to the date such investment is to be made and shall contain a certification to the Trustee that such investments constitute Investment Securities or Federal Securities, as the case may be, as defined herein, and in the absence of written investment directions from the District, the Trustee shall invest solely in Investment Securities set forth in subdivision (vi) of the definition thereof. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any such deposit or investment (and shall be entitled to its customary fees therefor) and may, for

the purpose of any such deposit or investment, commingle any of the money held by it hereunder, and shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with this section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee shall be deposited as and when received (except as otherwise directed by a written Request of the District) in the 2020 Installment Payment Fund, except that any such interest or profits from the investment of money in the Rebate Fund shall be deposited in the Rebate Fund.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the District the right to receive brokerage confirmations of security transactions as they occur, the District will not receive such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

SECTION 11.10. Destruction of Certificates. Whenever any Certificates are surrendered to the Trustee for cancellation, the Trustee may, in lieu of such cancellation, destroy such Certificates and upon receipt of a Request of the District shall deliver a certificate of such destruction to the District.

SECTION 11.11. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” 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 thereof.

SECTION 11.12. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Trustee or the Corporation or the District shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee, the Corporation and the District hereby declare that they would have executed and entered into the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof

and would have authorized the execution and delivery of the Certificates pursuant hereto irrespective of the fact that any one or more of the 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 11.13. California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 11.14. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee:

U.S. Bank National Association
Attn.: Global Corporate Trust
633 W. Fifth Street, 24th Floor
Los Angeles, CA 90071
Ref: Laguna County Sanitation District Sanitation System Revenue
Certificates of Participation, Series 2020

If to the Corporation:

c/o Laguna County Sanitation District
105 East Anapamu Street, Room 201
Santa Barbara, California 93101
Attention: County Counsel, Room 201
(with a copy to the Treasurer, Room 109)

If to the District:

Laguna County Sanitation District
105 East Anapamu Street
Santa Barbara, California 93101
Attention: Treasurer, Room 109
(with a copy to County Counsel, Room 201)

SECTION 11.15. Execution in Counterparts. The Trust Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

SECTION 11.16. Effective Date. The Trust Agreement shall become effective upon its execution and delivery.

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

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

SANTA BARBARA COUNTY FINANCE
CORPORATION, INC.

By _____
Authorized Officer

By _____
Authorized Officer

LAGUNA COUNTY SANITATION DISTRICT

By _____

ATTEST:

By _____
Clerk of the Board

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
LAGUNA COUNTY SANITATION DISTRICT

No. R-

\$_____

LAGUNA COUNTY SANITATION DISTRICT
SANITATION SYSTEM REVENUE CERTIFICATE OF PARTICIPATION,
SERIES 2020

Evidencing and Representing a Proportionate,
Undivided Interest of the Owner Hereof in the
2020 Installment Payments to Be Made
by the Laguna County Sanitation District to the
Santa Barbara County Finance Corporation, Inc.
under and pursuant to the
2020 Installment Sale Agreement
Relating to the
Laguna County Sanitation District
Sanitation System Facilities

Interest <u>Rate</u>	Certificate <u>Payment Date</u>	<u>Dated as of</u>	<u>CUSIP</u>
	_____ 1, _____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: DOLLARS

THIS IS TO CERTIFY that the registered owner set forth above of this Laguna County Sanitation District Sanitation System Revenue Certificate of Participation, Series 2020 (the "Certificate") is the owner of a proportionate, undivided interest in the rights to receive the 2020 Installment Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain 2020 Installment Sale Agreement (the "2020 Installment Sale Agreement") dated as of September 1, 2020, by and between the Santa Barbara County Finance Corporation, Inc. (the "Corporation"), a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California, and the Laguna County Sanitation District (the "District"), a political subdivision of the State of California duly organized and existing under and by virtue of the Constitution and laws of the State of California, all of which rights to receive such 2020 Installment Payments have been assigned without recourse by the Corporation to U.S. Bank National Association, as Trustee (the "Trustee"), a national banking association duly organized and existing under

and by virtue of the laws of the United States of America, at its Corporate Trust Office (as that term is defined in the Trust Agreement hereinafter mentioned, and herein the “Corporate Trust Office”), as Trustee, or any successor Trustee which may at any time be substituted in the place of the Trustee or any successor thereto as provided in the Trust Agreement hereinafter mentioned at its Corporate Trust Office.

The registered owner of this Certificate is entitled to receive, subject to the terms of the 2020 Installment Sale Agreement, on the Certificate Payment Date (as that term is defined in the Trust Agreement hereinafter mentioned, and herein a “Certificate Payment Date”) set forth above, upon surrender of this Certificate on such Certificate Payment Date at the Corporate Trust Office of the Trustee, the principal sum set forth above, representing the registered owner’s proportionate share of the 2020 Installment Payments constituting principal components becoming due and payable on such Certificate Payment Date, and the registered owner of this Certificate as shown in the registration books maintained by the Trustee at the close of business on the fifteenth (15th) day of the month immediately preceding an Interest Payment Date (as that term is defined in the Trust Agreement, and herein an “Interest Payment Date”) (a “Record Date”), is entitled to receive on each Interest Payment Date such registered owner’s proportionate share of the 2020 Installment Payments constituting interest components accruing from the Interest Payment Date next preceding the date of execution hereof by the Trustee (unless such date of execution is after the Record Date next preceding an Interest Payment Date and on or prior to such Interest Payment Date, in which case from such Interest Payment Date, or unless such date of execution is on or prior to May 15, 2021, in which case from its date) to such Certificate Payment Date, whichever is earlier, by check mailed by first class mail on such Interest Payment Dates to such registered owner (except that in the case of a registered owner of one million dollars (\$1,000,000) or greater in principal amount of outstanding Certificates, such payment shall, at such registered owner’s option, be made by wire transfer of immediately available funds to a designated account in any state or national bank located in the United States of America that is a member of the Federal Reserve System in accordance with written instructions provided by such registered owner to the Trustee prior to the Record Date next preceding such Interest Payment Date), which such proportionate share is determined by the multiplication of the aforesaid portion of the 2020 Installment Payments constituting principal components becoming due and payable on such Certificate Payment Date by the interest rate per annum set forth above. All such amounts are payable in lawful money of the United States of America.

This Certificate is one of the duly authorized Certificates aggregating [PAR IN WORDS] dollars (\$[PAR]) in principal amount which have been executed by the Trustee under and pursuant to the terms of the 2020 Installment Sale Agreement and under and pursuant to the terms of a Trust Agreement (the “Trust Agreement”) dated as of September 1, 2020, by and among the Trustee, the Corporation and the District, copies of which are on file at the Corporate Trust Office of the Trustee; and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the registered owners of

the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder.

The Certificates are subject to prepayment by the District prior to their Certificate Payment Date as set forth in the Trust Agreement.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented by the parties thereto, but no such amendment or supplement shall (1) reduce the rate of interest evidenced and represented hereby or extend the time of payment thereof or reduce the amount of principal evidenced and represented hereby or extend the Certificate Payment Date hereof without the prior written consent of the registered owner hereof, or (2) reduce the percentage of registered owners of Certificates whose consent is required for the execution of certain amendments of or supplements to the Trust Agreement, or (3) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Certificates are authorized to be executed and delivered in the form of fully registered certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, except that no Certificate shall have more than one Certificate Payment Date.

This Certificate is transferable or exchangeable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement. Upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange, a new Certificate or Certificates of authorized denominations of the same Certificate Payment Date equal to the principal amount hereof will be executed and delivered by the Trustee to the registered owner thereof in exchange or transfer herefor. The Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this 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 evidenced and represented by this Certificate shall be made only to such registered owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by this Certificate to the extent of the sum or sums so paid.

The Certificates each evidence and represent a proportionate, undivided interest in the 2020 Installment Payments and enjoy the benefits of a security interest in the money held in the accounts and funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The obligation of the District to make the 2020 Installment Payments does not constitute a debt of the Corporation or the District or the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the Corporation or the District is obligated to

levy or pledge any form of taxation or for which the Corporation or the District has levied or pledged any form of taxation.

The Trustee has no obligation or liability to the registered owners of the Certificates for the payment of the interest or principal evidenced and represented by the Certificates; but rather the Trustee's sole obligation is to administer, for the benefit of the Corporation and the District and the registered owners of the Certificates, the various accounts and funds established under the Trust Agreement, and all recitals of facts, agreements and covenants contained in this Certificate shall be taken as statements, agreements and covenants of the District, and the Trustee assumes no responsibility for the correctness of the same. The Corporation has no obligation or liability whatsoever to the registered owners of the Certificates.

IN WITNESS WHEREOF, this Certificate has been dated as of _____, 2020, and has been executed by the manual signature of an authorized signatory of the Trustee.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____ the within Certificate and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer such Certificate on the register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

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

Social Security Number, Taxpayer Identification Number or other Identifying Number of Assignee:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.