

\$4,170,000

CONTRACT OF PURCHASE

Relating to

the

Installment Sale Agreement dated as of May 17, 2011

between

the County of Santa Barbara and the Laguna County Sanitation District

May __, 2011

County of Santa Barbara
105 E. Anapamu Street
Santa Barbara, California 93101

The undersigned (the "Purchaser") offers to enter into this Contract of Purchase (the "Contract of Purchase") with the County of Santa Barbara (the "County"). This offer is made subject to written acceptance by the County prior to 11:59 p.m., California Time, on the date hereof, and, upon such acceptance, this Contract of Purchase will be binding upon the County and the Purchaser.

1. Purchase and Sale of the Installment Sale Agreement. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Purchaser hereby agrees to purchase from the County for its own account, and the County hereby agrees to sell to the Purchaser for such purpose, all (but not less than all) of the County's right, title and interest in and to the Installment Sale Agreement dated as of May 17, 2011 (as more fully described in Section 2 below, the "Installment Sale Agreement") between the County and the Laguna County Sanitation District (the "District"). The purchase price to be paid by the Purchaser for the Installment Sale Agreement shall be \$4,170,000.

2. The Installment Sale Agreement. The Installment Sale Agreement shall be dated as of May 17, 2011, and provides that the County will sell a photovoltaic solar energy project (the "2011 Project") for the District's sanitation system for a purchase price in the principal amount of \$4,170,000 (the "Purchase Price"). The Purchase Price will be due and payable as set forth on Schedule B of the Installment Sale Agreement.

The payment of the Purchase Price under the Installment Sale Agreement constitutes a special obligation of the District secured by, and payable solely from, Net Revenues, as defined in the Installment Sale Agreement.

3. Closing. At 8:00 a.m., Pacific Daylight Time, on May __, 2011, or at such other time and on such other date as shall have been mutually agreed upon by the County and the Purchaser (the "Closing"), the County will deliver to the Purchaser the Installment Sale Agreement in definitive form duly executed and other documents hereinafter mentioned, and the Purchaser will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the County.

4. Representations, Warranties and Agreements of the County. The County hereby represents, warrants and agrees with the Purchaser that:

(A) The County is a political subdivision duly organized and existing under and by virtue of the laws of the State of California (the "State"), and has all requisite right, power and authority to conduct its business, to adopt the resolution approving the Installment Sale Agreement and this Contract of Purchase (the "County Resolution"), to execute and sell the Installment Sale Agreement and to execute this Contract of Purchase (collectively, the "County's Documents"), and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by the County Documents.

(B) At or prior to the Closing, (i) the County will have taken all action required to be taken by it to authorize the issuance and delivery of the Installment Sale Agreement; (ii) the execution and delivery of the Installment Sale Agreement and this Contract of Purchase, the adoption by the County of the County Resolution, and the performance by the County of the obligations contained in the County Documents have been duly authorized and such authorization will be in full force and effect at the time of the Closing; (iii) this Contract of Purchase will be duly executed and delivered and will constitute the valid and legally binding obligation of the County enforceable against the County in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect for the protection of debtors and by application of general principles of equity; and (iv) the County will be duly authorized to consummate all transactions contemplated by this Contract of Purchase.

(C) No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required for the consummation of the transactions contemplated hereby, except for such actions as have been taken or as may be necessary to qualify the Installment Sale Agreement for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Purchaser may designate (except that the County shall not be responsible for the failure to comply with any such laws of regulations with regard to Blue Sky).

(D) The Installment Sale Agreement will be sold only to a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1934, as amended (the "Securities Act").

(E) To the best knowledge of the County, as of the time of acceptance hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court

or public body, pending or threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the powers of the County or the entitlement of the officials of the County to their respective offices; or (ii) seeking to restrain or enjoin the sale of the Installment Sale Agreement, the acquisition of the 2011 Project, or in any way contesting the validity of the Installment Sale Agreement or the Contract of Purchase, or contesting the powers of the County with respect to the Installment Sale Agreement or the Contract of Purchase; or (iii) in which a final adverse decision could (a) materially adversely affect the consummation of the transactions contemplated by this Contract of Purchase and the Installment Sale Agreement, (b) declare this Contract of Purchase or the Installment Sale Agreement to be invalid or unenforceable in whole or in material part.

(F) Any certificates signed by any official of the County and delivered to the Purchaser shall be deemed a representation and warranty by the County to the Purchaser as to the statements made therein but not of the person signing the same.

5. Covenants of the County. The County covenants and agrees with the Purchaser that:

(A) Between the date hereof and the Closing, the County will not modify or amend the County Resolution or the Installment Sale Agreement without the prior written consent of the Purchaser.

6. Purchaser Representations, Warranties and Acknowledgements. Purchaser represents, warrants and acknowledges as follows:

(A) The Purchaser acknowledges that any transfer of the Installment Sale Agreement shall be restricted as provided in clause (B) below and that any transfer shall not be effective unless and until a notice of transfer is given to the County and the District;

(B) The Installment Sale Agreement is being acquired by the Purchaser for investment and not with a view to resell the Installment Sale Agreement, and the Purchaser acknowledges that the Installment Sale Agreement shall only be transferred or resold to any affiliate of Purchaser or to a “qualified institutional buyer” as defined in Rule 144A of the Securities Act of 1933 and that the Purchaser shall not transfer any fractional interest in the Installment Sale Agreement;

(C) The Purchaser is a “qualified institutional buyer,” as defined in Rule 144A of the Securities Act of 1933 and has such knowledge and experience in financial and business matters in general and in particular with respect to this type of investment that it is capable of evaluating the merits and risks of an investment in the Installment Sale Agreement, has evaluated and understands the risks and terms of investing in the Installment Sale Agreement and is able to bear the economic risk of an entire loss in this investment;

(D) All documents, records and books pertaining to this investment requested by Purchaser have been made available to the Purchaser and its attorneys, accountants or investor representatives, and the Purchaser has been afforded the opportunity to ask questions concerning the purchase of the Installment Sale Agreement; and

(E) The Purchaser acknowledges that the Installment Sale Agreement is exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that neither the County nor the District has undertaken to provide any continuing disclosure with respect to the Installment Sale Agreement.

7. Conditions to Obligations of Purchaser at Closing. The Purchaser has entered into this Contract of Purchase in reliance upon the representations and warranties of the County contained herein and the performance by the County of its obligations hereunder, as of the date hereof and as of the Closing. The obligation of the Purchaser to purchase the Installment Sale Agreement at the Closing is subject to the following further conditions, any or all of which can be waived by the Purchaser or the County, as appropriate, in writing:

(A) The representations and warranties of the County contained herein shall be true and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Purchaser or the County at the Closing and otherwise pursuant hereto shall be true and correct in all material respects at and as of the Closing;

(B) At and as of the Closing (i) the Installment Sale Agreement, this Contract of Purchase, the County Resolution and the resolution of the District approving the Installment Sale Agreement and the sale thereof (the "District Resolution") shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been jointly agreed to in writing by the County and the Purchaser; (ii) all actions under the Act which, in the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; (iii) the County shall perform or have performed all of its obligations required under or specified in the County Resolution, the Installment Sale Agreement or this Contract of Purchase to be performed at or prior to the Closing; and (iv) the District shall have performed all of its obligations required under or specified in the County Resolution or the Installment Sale Agreement to be performed at or prior to the Closing;

(C) To the best knowledge of the County, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, is pending or threatened against the County which has any of the effects described in Paragraph 4(E) hereof;

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, has been issued or made with the purpose or effect of prohibiting the sale of the Installment Sale Agreement as contemplated hereby and no legislation has been enacted, or a bill favorably reported for adoption, or a decision by any court rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other

governmental agency having jurisdiction of the subject matter has been made or issued, to the effect that the Installment Sale Agreement or any other obligations of the County or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; and

(E) At or prior to the Closing, the Purchaser shall have received a copy of the following documents in each case dated at and as of the Closing and satisfactory in form and substance to the Purchaser:

(1) An approving opinion of Bond Counsel as to the Installment Sale Agreement in the form attached hereto as Exhibit A, with a reliance letter addressed to the Purchaser;

(2) The certificate of the County, dated the Closing Date to the effect that:

(i) the County is a political subdivision duly organized and existing under and by virtue of the laws of the State;

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

(iii) the adoption of the County Resolution and the execution and delivery of the Installment Sale Agreement and this Contract of Purchase and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not and will not conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument applicable or binding upon the County or any of its properties or any existing law, regulation, court order or consent decree to which the County or any of its properties is subject;

(iv) the County has full right and lawful authority to execute and sell the Installment Sale Agreement, and to execute and deliver this Contract of Purchase and the County has duly authorized, executed and delivered the Installment Sale Agreement and this Contract of Purchase; and

(v) To the best knowledge of the County, there is no action, suit or proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the County, threatened against or affecting the County which is likely to adversely affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under the Installment Sale Agreement or this Contract of Purchase or any other agreement or instrument to which the County is a party and which is used or contemplated for use in consummation of the transactions contemplated by this Contract of Purchase or the Installment Sale Agreement.

(3) A certificate signed by an appropriate official of the District to the effect that (i) the representations and warranties of the District herein are true and correct in all material respects as of the date made and as of the date of the Closing; and (ii) the District has performed all its obligations required under or specified in this Contract of Purchase or the Installment Sale Agreement to be performed at or prior to the Closing.

(4) A certificate of the Clerk of the Board of Directors of the District, together with a fully executed copy of the District Resolution, to the effect that:

(i) such copy is a true and correct copy of the District Resolution; and

(ii) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Purchaser;

(5) The certificate of the District, dated the Closing Date to the effect that:

(i) the District is a county sanitation district duly organized and existing under and by virtue of the laws of the State;

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

(iii) the adoption of the District Resolution and the execution and delivery of the Installment Sale Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby and hereby, do not and will not conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument applicable or binding upon the District or any of its properties or any existing law, regulation, court order or consent decree to which the District or any of its properties is subject;

(iv) the District has full right and lawful authority to execute, deliver and perform its obligations under the Installment Sale Agreement, and the District has duly authorized, executed and delivered the Installment Sale Agreement; and

(v) To the best knowledge of the District, there is no action, suit or proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the District, threatened against or affecting the District which is likely to adversely affect the validity or enforceability of, or the authority or ability of the District to perform its obligations under the Installment Sale Agreement or any other agreement or instrument to which the District is a party and which is used or contemplated for use in consummation of the transactions contemplated by this Contract of Purchase or the Installment Sale Agreement.

(6) A certificate signed by an appropriate official of the District to the effect that (i) the representations and warranties of the District in the Installment Sale Agreement are true and correct in all material respects as of the date made and as of the date of the Closing; and (ii) the District has performed all its obligations required under or specified in this Contract of Purchase or the Installment Sale Agreement to be performed at or prior to the Closing.

(7) A tax certificate from the District in form and substance satisfactory to Bond Counsel, signed by an official of the District;

(8) Such other opinions, certificates and other documents as the Purchaser or Bond Counsel reasonably may request, in form and substance satisfactory to the Purchaser and Bond Counsel.

8. Termination of Obligations of Purchaser. If the County shall be unable to satisfy the conditions set forth in Section 7 to the obligations of the Purchaser contained in this Contract of Purchase, the obligations of the Purchaser under this Contract of Purchase may be terminated by the Purchaser by notice to the County at, or at any time prior to, the Closing. Notwithstanding any provision herein to the contrary, the performance of any and all conditions contained herein for the benefit of the Purchaser may be waived by the Purchaser in writing in its sole discretion.

9. Conditions to Obligations of the County. The performance by the County of its obligations under this Contract of Purchase with respect to issuance, sale and delivery of the Installment Sale Agreement to the Purchaser is conditioned upon (i) the performance by the Purchaser of its obligations hereunder; and (ii) receipt by the County and the Purchaser of opinions and certificates being delivered at or prior to the Closing by persons and entities other than the County.

10. Expenses. The County and the District shall bear all expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation and reproduction of the County Resolution and the Installment Sale Agreement and the Contract of Purchase; and (ii) the fees and disbursements of legal counsel; provided, that such fees and expenses of Purchaser's counsel shall not exceed the amount set forth in the Purchaser's Proposal for Direct Purchase of Installment Sale Agreement Qualified Energy Conservation Bond (QECCB) Laguna County Sanitation District Summary of Terms and Conditions dated April 4, 2011 (the "Term Sheet"). To the extent the Purchaser pays any of the foregoing expenses and fees on behalf of the County or the District, the County or the District shall reimburse the Purchaser at the Closing.

11. Notices. Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone or telex, confirmed in writing, or by delivering the same in writing, if to the County, to the County of Santa Barbara, 105 E. Anapamu Street, Santa Barbara, CA 93101, Attention: Treasurer-Tax Collector, or if to the Purchaser, to Wells Fargo Bank, N.A., 707 Wilshire Blvd., 11th Floor, Los Angeles, California, 90017, Attention: Lynn Love, Vice President.

12. Parties in Interest: Survival of Representations and Warranties. This Contract of Purchase when accepted by the County and the County in writing as specified herein shall constitute the entire agreement between the County and the Purchaser and is made solely for the benefit of the County and the Purchaser (including their respective successors and assigns). No other person shall acquire or have any right hereunder or by virtue hereof. The obligations of the County arising out of its representations and warranties in this Contract of Purchase shall not be affected by any investigation made by or on behalf of the Purchaser.

13. Execution in Counterparts. This Contract of Purchase may be executed in counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

14. Documents Supersede Term Sheet. To the extent that there are any inconsistencies between the Term Sheet, on one hand, and the Installment Sale Agreement and this Purchase Contract, on the other hand, the terms and conditions set forth in the Installment Sale Agreement and the Purchase Contract shall govern.

15. Applicable Law. This Contract of Purchase shall be interpreted under, governed by and enforced in accordance with the laws of the State of California.

Very truly yours,

WELLS FARGO BANK, N.A.

By: _____
Lynn Love, Vice President

The foregoing is hereby agreed to and accepted as of the date first above written:

COUNTY OF SANTA BARBARA

By: _____

Name: _____

Title: _____

The Laguna County Sanitation District hereby approves the foregoing Contract of Purchase and agrees to tender performance of its obligations under the Installment Sale Agreement to the Purchaser from and after the Closing Date.

LAGUNA COUNTY SANITATION DISTRICT

By: _____

Name: _____

Title: _____

EXHIBIT A

OPINION OF BOND COUNSEL

_____, 2011

County of Santa Barbara
Santa Barbara, California

Laguna County Sanitation District
Santa Barbara, California

Laguna County Sanitation District Financing
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the Laguna County Sanitation District (the "District") in connection with the execution and delivery of the 2011 Installment Sale Agreement, dated as of May 10, 2011 (the "Installment Sale Agreement"), by and between the Laguna County Sanitation District (the "District") and the County of Santa Barbara (the "County"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Installment Sale Agreement.

In such connection, we have reviewed the Installment Sale Agreement, a Contract of Purchase, dated as of _____, 2011 (the "Contract of Purchase"), between the County and Wells Fargo Bank, N.A., as purchaser (the "Purchaser"), a tax certificate of the District, dated as of the date hereof (the "Tax Certificate"), opinions of counsel to the District and the County, certificates of the District and the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to this financing has concluded with the execution and delivery of the Installment Sale Agreement, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Installment Sale Agreement, the Contract of Purchase and the Tax Certificate.

We call attention to the fact that the rights and obligations under the Installment Sale Agreement, the Contract of Purchase and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against special districts and counties, respectively, in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of assets described in or as subject to the lien of the Installment Sale Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Installment Sale Agreement has been duly executed and delivered by, and constitutes the valid and binding obligations of, the District and the County.
2. The Contract of Purchase has been duly executed and delivered by, and constitutes the valid and binding obligation of, the County.
3. The portion of each 2011 Installment Payment designated as and constituting interest paid by the District under the Installment Sale Agreement and received by the Purchaser is exempt from State of California personal income taxes. The portion of each 2011 Installment Payment designated as and constituting interest paid by the District under the Installment Sale Agreement and received by the Purchaser is not excludable from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the accrual or receipt of the interest portion of each 2011 Installment Payment.

County of Santa Barbara
Laguna County Sanitation District
_____, 2011

Page 3

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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