



moulton niguel water district

**NOTICE AND CALL OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS
MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION
26880 Aliso Viejo Pkwy, Suite 150, Aliso Viejo
October 10, 2019
6:00 PM
Approximate Meeting Time: 30 Minutes**

**THIS BOARD MEETING WILL INCLUDE TELECONFERENCING AT THE
FOLLOWING LOCATION: 12025 CEDAR SHORE ROAD, ELLISON BAY,
WISCONSIN**

NOTICE IS HEREBY GIVEN that a Special Meeting of the Board of Directors of the Moulton Niguel Water District (“MNWD”) Public Facilities Corporation has been called by the Chairman of the Board of Directors to be held on October 10, 2019, at 6:00 PM, at MNWD’s Administrative Offices located at the address above. The following business will be transacted and is the Agenda for this annual meeting:

1. CALL MEETING TO ORDER:

2. PUBLIC COMMENTS:

Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. “Request To Be Heard” forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a “Request To Be Heard” form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

ACTION ITEMS (ROLL CALL VOTE):

3. 2019 CERTIFICATES OF PARTICIPATION NEW MONEY ISSUANCE

It is recommended that the Board of Directors approve the resolution entitled, “Authorizing the Execution and Delivery By the Corporation of Documents with Respect to the Execution and Delivery of Moulton Niguel Water District 2019 Certificates of Participation, and Authorizing the Execution of Necessary Documents and Related Actions Therewith.”

ADJOURNMENT

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 26880 Aliso Viejo Parkway, Suite 150, Aliso Viejo, CA ("District Office"). If such writings are distributed to members of the Board less than twenty-four (24) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at www.mnwd.com.

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2019 Certificates of Participation New Money Issuance

October 10, 2019

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- The District and Public Facilities Corporation enter into an Installment Sale Agreement under which the District agrees to purchase financed improvements from the Public Facilities Corporation on an installment basis.
- The Public Facilities Corporation assigns its rights to the District's installment payments to a trustee bank ("Trustee") under an Assignment Agreement.
- The Public Facilities Corporation, District and Trustee enter into a Trust Indenture under which the Trustee agrees to execute and deliver certificates of participation. The certificates of participation represent the rights of investors in the District's installment payments.

Corresponding actions under a separate agenda item for the District Board of Directors are also being considered.

DISCUSSION:

Staff recommends that the Public Facilities Corporation Board of Directors adopt the attached resolution, which will authorize the proposed financing and all associated legal documents consistent with requirements identified in the District's Debt Management Policy. In a separate agenda item, Staff is recommending that the District Board of Directors adopt the resolution to authorize parallel actions to complete the approvals to move forward with the proposed financing.

Attachments:

1. Resolution entitled, "Authorizing the Execution and Delivery By the Corporation of Documents with Respect to the Execution and Delivery of Moulton Niguel Water District 2019 Certificates of Participation, and Authorizing the Execution of Necessary Documents and Related Actions Therewith"
2. Installment Sale Agreement **(Page 7)**
3. Trust Indenture **(Page 43)**
4. Assignment Agreement **(Page 99)**

RESOLUTION NO. 19-__

**RESOLUTION OF THE BOARD OF DIRECTORS OF
MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION
AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION
OF DOCUMENTS WITH RESPECT TO THE EXECUTION AND DELIVERY OF
MOULTON NIGUEL WATER DISTRICT 2019 CERTIFICATES OF
PARTICIPATION, AND AUTHORIZING THE EXECUTION OF NECESSARY
DOCUMENTS AND RELATED ACTIONS IN CONNECTION THEREWITH**

WHEREAS, the Moulton Niguel Water District (the “District”) wishes to complete the acquisition and construction of replacements and upgrades to the District’s reservoir management system and pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District’s most recently adopted Capital Improvement Program, as more particularly described in Exhibit A to the Installment Sale Agreement herein described (the ”Project”); and

WHEREAS, the District wishes to finance the Project, together with related costs, using an installment sale financing structure and certificates of participation; and

WHEREAS, the District has determined that it is in the interests of the District at this time to provide for the financing of the costs of: the acquisition and construction of the Project, the funding of a reserve for the installment payments to be paid by the District, and the costs of issuance incurred in connection with the proposed financing, by purchasing the Project from the Moulton Niguel Water District Public Facilities Corporation (the “Corporation”), pursuant to that certain Installment Sale Agreement, between the Corporation and the District (the “Installment Sale Agreement”); and

WHEREAS, for the purpose of obtaining the moneys required to finance the Project, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee pursuant to an Assignment Agreement, between the District and the Trustee (the “Assignment Agreement”), and in consideration of such assignment and the execution of a Trust Indenture, among U.S. Bank National Association, as trustee (the “Trustee”), the District and the Corporation (the “Trust Indenture”), the Trustee has agreed to execute and deliver Moulton Niguel Water District 2019 Certificates of Participation, each evidencing an undivided fractional interest in the Installment payments made by the District under the Installment Sale Agreement (the “Certificates of Participation”);

WHEREAS, in consideration of such assignment and the execution of the Trust Indenture, the Trustee will execute and deliver the Certificates of Participation;

WHEREAS, the Board of Directors of the Corporation (the “Board of Directors”) has been presented with the form of each document referred to herein relating to the financing contemplated hereby, and the Board of Directors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such financing; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in

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regular and due time, form and manner as required by law, and the Corporation is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District Public Facilities Corporation does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

Section 1. Recitals True and Correct. All of the recitals herein contained are true and correct, and the Board of Directors so finds.

Section 2. Approval of Installment Sale Agreement. The form of the Installment Sale Agreement, on file with the Secretary of the Corporation, is hereby approved, and the President, Vice President and Treasurer (each, an “Authorized Officer”) are each hereby authorized and directed, for and in the name and on behalf of the Corporation, to execute and deliver the Installment Sale Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of principal component of Installment Payments payable under the Installment Sale Agreement shall not exceed \$70,000,000, the term of the Installment Sale Agreement shall not extend beyond September 1, 2049 (except in the event of default), and the principal component of the installment payments payable by the District under the Installment Sale Agreement shall bear a weighted average interest rate that results in a true interest cost not-to-exceed 4.25%.

Section 3. Approval of Trust Indenture. The form of Trust Indenture on file with the Secretary of the Corporation is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Corporation, to execute and deliver the Trust Indenture in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Approval of Assignment Agreement. The form of Assignment Agreement on file with the Secretary of the Corporation is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Corporation, to execute and deliver the Assignment Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Approval of Execution and Delivery of Certificates of Participation. The execution and delivery of not to exceed \$70,000,000 aggregate principal amount of Certificates of Participation (subject to the limitation set forth in Section 2), payable in the years and in the amounts, with principal components and interest components with respect thereto as specified in the Trust Indenture as finally executed, are hereby authorized and approved.

Section 6. Official Actions. The Authorized Officers and other officers and agents of the Corporation are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 7. Actions Heretofore Taken. All actions heretofore taken by the officers and agents of the Corporation with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 8. Effective Date. This Resolution shall become effective as of the date of its adoption.

APPROVED, SIGNED and ADOPTED this 10th day of October 2019.

President
MOULTON NIGUEL WATER DISTRICT PUBLIC
FACILITIES CORPORATION
and the Board of Directors thereof

Secretary
MOULTON NIGUEL WATER DISTRICT PUBLIC
FACILITIES CORPORATION
and the Board of Directors thereof

INSTALLMENT SALE AGREEMENT

By and Between

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION,
as Seller**

and

MOULTON NIGUEL WATER DISTRICT, as Purchaser

Dated as of _____ 1, 2019

**Relating to
\$ _____
2019 Certificates of Participation**

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INSTALLMENT SALE AGREEMENT

This Installment Sale Agreement (this "Agreement") is dated as of _____ 1, 2019, by and between MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION ("Corporation"), a California nonprofit public benefit corporation, and the MOULTON NIGUEL WATER DISTRICT ("District"), duly organized and existing as a California water district pursuant to Section 34000 et seq. of the California Water Code.

RECITALS

A. District and the Corporation desire to acquire and construct the Project (as hereinafter defined) by selling the Project to the District on an installment sale basis by entering into this Agreement, and authorizing the execution and delivery of the District's "2019 Certificates of Participation" (the "Certificates"), evidencing an undivided and proportionate interest in Installment Payments (as defined herein) to be made by the District hereunder.

B. The Certificates will be executed and delivered under and pursuant to the Trust Indenture dated as of _____ 1, 2019 (the "Trust Indenture"), among the District, U.S. Bank National Association (the "Trustee") and the Corporation.

C. The Installment Payments will be secured by a pledge of the Net Revenues (as those terms are defined in the Trust Indenture); and

D. The pledge of Net Revenues to the Installment Payments will be on a parity basis with the District's pledge of Net Revenues as security for:

(i) the District's 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000; and

(ii) the District's 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000.

E. The District and Corporation are authorized under the Constitution and laws of the State of California to enter into this Agreement for the purposes set forth herein.

NOW, THEREFORE, for and in consideration of the promises and covenants hereinafter contained, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Except as the context requires otherwise or as otherwise provided below in this Section, capitalized terms used in this Agreement shall have the meanings given to them in the Trust Indenture as hereinafter defined.

“Additional Obligations” means all bonds, certificates of participation, notes or other obligations hereafter issued or entered into by District, payable out of the Net Revenues and which, as provided in this Agreement, the Trust Indenture, a Parity Obligation Instrument, or any subsequent indenture or similar instrument or document of District, rank on a parity with the Parity Obligations.

“Agreement” or **“Installment Sale Agreement”** means this Installment Sale Agreement and any and all amendments, supplements and replacements hereto.

“Annual Debt Service” means Debt Service due in any Certificate Year.

“Annual Parity Debt Service” means Parity Debt Service due in the applicable Certificate Year.

“Assignment Agreement” means the assignment agreement between Corporation and the Trustee dated as of _____ 1, 2019, pursuant to which substantially all the rights of Corporation under this Agreement are assigned to the Trustee, together with any and all amendments, supplements and replacements.

“Authorized Investments” is defined in Section 101 of the Trust Indenture.

“Average Annual Debt Service” means the amount calculated by totaling all Installment Payments remaining unpaid at the time of calculation, and dividing that total by the number of Certificate Years remaining to final maturity of the Certificates.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Certificates” means the District's \$_____ 2019 Certificates of Participation that are executed and delivered under the Trust Indenture.

“Charges” means all rates, fees (including capital facility connection and capacity fees, to the extent permitted by and in accordance with law), charges, standby charges (other than those standby charges levied pursuant to California Water Code Sections 36425 and 35506 and pledged to debt service on the District's outstanding general obligation bonds and any additional general obligation bonds to be issued in the future), assessments and other moneys derived by the District from the sale, furnishing and supplying of water, recycled water and wastewater or other services furnished or supplied through the facilities of, or in the conduct or operation of, the water, recycled water and wastewater systems of the District

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“Debt Service” means, for any period, the sum obtained by totaling the following amounts due in such period:

- (a) Installment Payments; and
- (b) Parity Debt Service.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to District or Corporation relating to the financing of the Project, including but not limited to settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, including Trustee's first annual administration fee, legal fees and charges, financial and other professional consultant fees, and the fees of rating agencies for assigning a rating to the Certificates.

“Events of Default” are defined in Section 12.01 hereof.

“Governmental Loan Instruments” means any resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement, loan agreement or other instrument under which any future Governmental Loans are issued or incurred.

“Governmental Loan Payments” means, for any period, the sum of all of the payments due under Governmental Loans in such period.

“Governmental Loans” means all loans hereafter issued or entered into by the District in accordance with Section 7.05 hereof, payable out of the Governmental Loans Pledged Revenues, that, as provided in this Agreement, a Governmental Loan Instrument, or any subsequent loan agreement, indenture or similar instrument or document of District, rank on a parity with the Parity Obligations with respect to Net Revenues consisting of Governmental Loan Pledged Revenues.

“Governmental Loans Pledged Revenues” means those Revenues consisting of revenues received by the District from sales of recycled water, rebate payments received by the District from Metropolitan Water District pursuant to Metropolitan Water District Local Projects Program and revenues received by the District from wastewater service charges.

“Independent Consultant” means a consultant or firm of such consultants appointed by the District and who, or each of whom is judged by the District to have experience in matters relating to the collection of Revenues or other experience with respect to the financing of the Project, as appropriate and who, or each of whom:

- (1) is independent of the District;
- (2) does not have any substantial interest, direct or indirect in the District; and
- (3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

“Installment Payment Date” means the date on which any Installment Payment is due and payable under this Agreement (March 1 and September 1), commencing March 1, 2020.

“Installment Payments” means the installment payments payable by District pursuant to the provisions of this Agreement in consideration of the installment purchase of the Project.

Installment Payments shall be payable by District to the Corporation in the amounts and at the times during the Installment Sale Term as set forth in Section 5.01 of this Agreement.

“Installment Period” means each six-month period ending on the last day of February or August.

“Installment Sale Term” means that term commencing on the Delivery Date and ending on September 1, 20___, or on such later date any Certificates remain Outstanding, or on such earlier date this Agreement is terminated in accordance with Section 4.02 herein.

“Maintenance and Operation Expenses” means the reasonable and necessary costs spent or incurred by District for maintaining and operating water, recycled water and wastewater systems, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such systems in good repair and working order, and including but not limited to administrative costs of District, salaries and wages of employees, payments to any employee retirement plan, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers, and necessary costs of or charges required to be paid by it to comply with the terms of the Certificates or of this Agreement, including any amounts required to be paid to the United States of America pursuant to the Trust Indenture; but excluding in all cases (i) depreciation, replacements and obsolescence charges or reserves therefor; (ii) amortization of intangibles or other bookkeeping entries of a similar nature; (iii) costs of capital additions, replacements, betterments, extensions or improvements to the District water, recycled water and wastewater systems, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation; and (iv) charges or assessments for the payment of principal, premium, if any, and interest on any general obligation bonds heretofore or hereafter issued for the water, recycled water and/or wastewater system purposes.

“Maximum Annual Debt Service” means as of the date of calculation, the maximum amount of Installment Payments, Governmental Loan Payments, and Parity Debt Service due in any Certificate Year prior to the final maturity of the Certificates, and for purposes of: (i) Section 7.04, includes the maximum amount of Debt Service due on any Additional Obligations subsequent to the issuance of such Additional Obligations; and (ii) Section 7.05, includes the maximum amount of Governmental Loan Payments due on any Governmental Loans subsequent to the issuance of such Governmental Loans.

“Maximum Annual Installment Payments” means as of the date of calculation, the maximum amount of Installment Payments due in any Certificate Year prior to the final maturity of the Certificates.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Project, after deducting all expenses (including attorneys’ fees) incurred in the collection of such claim or award.

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

“Non-Operating Revenues” means (A) rents, insurance and condemnation proceeds; (B) amounts appropriated from the Rate Stabilization Fund; (C) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of any part of, or rights, in the District’s water, recycled water and wastewater systems; (D) the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned,

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allocated and paid by the Orange County Tax Collector to District pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, as amended from time to time); and (E) other moneys (other than Operating Revenues) received by the District in connection with the water, recycled water and wastewater systems.

“Operating Revenues” means revenues received by the District from the levy and collection of Charges.

“Outstanding Certificates” or **“Outstanding”** means all Certificates which have been executed and delivered by the Trustee under the Trust Indenture, except the following:

- (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the terms of the Trust Indenture; and
- (iii) Certificates paid and discharged pursuant to the Trust Indenture.

“Parity Debt Service” means, for any Fiscal Year, the sum of:

- (i) the interest due and payable during such Fiscal Year for all outstanding Parity Obligations, assuming that principal (including any mandatory sinking payments) thereof is paid as scheduled;
- (ii) that portion of the principal amount due on all outstanding Parity Obligations maturing during such Fiscal Year;
- (iii) that portion of the principal amount of all such outstanding Parity Obligations required to be redeemed or paid (together with the redemption or prepayment premiums, if any, thereof) during such Fiscal Year; and
- (iv) any fees payable during such Fiscal Year under the Parity Obligation Instruments.

“Parity Obligation Instruments” means this Agreement, the 2019 Indenture, the 2015 Indenture, and any other resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement or other instrument under which any Additional Obligation is issued or incurred under Section 7.04(b).

“Parity Obligations” means: (i) the Installment Payments; (ii) the 2019 Bonds; (iii) the 2015 Bonds; and (iv) the Additional Obligations issued under Section 7.04(b).

“Parity Reserves” means the reserve funds funded, or any credit instrument in lieu thereof as permitted by a Parity Obligation Instrument, for the Parity Obligations.

“Project” means the water and recycled water facilities and improvements described in Exhibit A and any substitutions or additions thereto made pursuant to Section 8.04 of this Agreement.

“Rate Stabilization Fund” means that certain fund established and maintained within District’s treasury in accordance with District Resolution No. 91-47, adopted July 18, 1991, as amended by District Resolution No. 93-33, adopted October 21, 1993, as amended by District Resolution No. 06-03, adopted May 18, 2006.

“Rate Stabilization Fund Minimum Balance” has the meaning given to said term in Section 5.02.

“Revenues” means (i) Operating Revenues, (ii) Non-Operating Revenues, and (iii) the earnings on, and income derived from, the investment of Operating Revenues and Non-Operating Revenues.

“Surplus Revenues” are those monies available after payment of Maintenance and Operation Expenses, Installment Payments, payments with respect to Parity Obligations, Trustee Amounts (and similar amounts payable to trustees under Parity Obligation Instruments) and any amounts required for replenishment of any Parity Reserves.

“Trust Indenture” means the Trust Indenture dated as of _____ 1, 2019, by and among District, Corporation and U.S. Bank National Association, as Trustee, and any and all amendments, supplements and replacements thereto.

“Trustee Amounts” is defined in Section 5.04 hereof.

“2015 Bonds” means the District’s 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000, issued pursuant to the 2015 Indenture.

“2015 Indenture” the Indenture of Trust, dated as of June 1, 2015, by and between the District and U.S. Bank National Association, as trustee, relating to the 2015 Bonds.

“2019 Bonds” means the District’s 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000, issued pursuant to the 2019 Indenture.

“2019 Indenture” means the Indenture of Trust, dated as of March 1, 2019, by and between the District and U.S. Bank National Association, as trustee, relating to the 2019 Revenue Refunding Bonds.

“Unrestricted Fund Balances” means those funds within the District treasury, or held on behalf of District, not set aside, pledged or otherwise restricted to a specific defined purpose and which, pursuant to general accounting principles, and in accordance with applicable law, may be used by District to pay Maintenance and Operation Expenses and to satisfy its obligations arising under this Agreement and any Parity Obligation Instrument.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations; Covenants and Warranties of District. District represents, covenants and warrants for the benefit of Corporation and its assignees as follows:

(1) District is a California water district formed and existing pursuant to Division 13 of the California Water Code of the State of California.

(2) District is authorized under the Constitution and laws of the State of California to enter into this Agreement and the Trust Indenture and the transactions contemplated hereby and thereby and to perform all of its obligations hereunder and thereunder.

(3) District has been duly authorized to execute and deliver this Agreement and the Trust Indenture and further represents, covenants and warrants that all requirements have been met and proceedings have been taken in order to ensure the enforceability of this Agreement (except as such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and by the application of equitable principles if equitable remedies are sought).

(4) Neither the execution and delivery of this Agreement or the Trust Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of District, or the Project.

(5) During the term of this Agreement, the Project will be used by District only for the purpose of performing one or more governmental or proprietary functions of District consistent with the permissible scope of District's authority.

Section 2.02. Representations, Covenants and Warranties of Corporation. Corporation represents, covenants and warrants for the benefit of District as follows:

(1) Corporation is a non-profit public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State of California; has power to enter into this Agreement, the Assignment Agreement and the Trust Indenture; is possessed of full power to own and hold real and personal property, and to sell the same; and has been duly authorized to execute and deliver all of the aforesaid agreements.

(2) Corporation will not pledge the Installment Payments or other amounts derived from the Project or from its other rights under this Agreement, except as provided under the terms of this Agreement, the Trust Indenture and the Assignment Agreement.

(3) Neither the execution and delivery of this Agreement, the Assignment Agreement or the Trust Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or

instrument to which Corporation is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Corporation, or the Project.

(4) Except as provided herein and in the Trust Indenture and the Assignment Agreement, Corporation will not assign this Agreement, its right to receive Installment Payments from District, or its duties and obligations hereunder to any other person, firm or corporation.

(5) Corporation shall not engage in any activities not contemplated by, or necessary or proper to carry out the transactions contemplated by, the Trust Indenture, this Installment Sale Agreement or the Assignment Agreement.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.01. Deposit of Certificate Proceeds. On the Delivery Date, Corporation agrees to deposit moneys with the Trustee to be expended for financing the acquisition of the Project as provided in Article V of the Trust Indenture.

Section 3.02. Acquisition of the Project. The Corporation hereby appoints the District as its agent to administer the acquisition, construction, equipping and improvement of the Project. The District accepts such appointment, and covenants to acquire and construct the Project with due diligence.

Section 3.03. Payment of the Delivery Costs. Payment of the Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund as described in Section 3.01 hereof and as provided in Section 501 of the Trust Indenture, and those moneys shall be disbursed from the Delivery Costs Fund in accordance with Section 504 of the Trust Indenture.

Section 3.04. Installment Sale of Project. District hereby purchases from Corporation, and Corporation sells on an installment sale basis to District, the Project, in accordance with the provisions of this Agreement. All right, title and interest sold to District by Corporation in the Project under this Section shall immediately vest in District as of the date hereof, without further action on the part of Corporation or District.

ARTICLE IV

INSTALLMENT SALE TERM

Section 4.01. Installment Sale Term. The Installment Sale Term shall commence on the Delivery Date, and shall end on September 1, 20__, unless on such date any Certificates remain Outstanding, in which case this Agreement shall remain in full force and effect while any Certificates are Outstanding, or unless terminated prior thereto in accordance with Section 4.02 of this Agreement.

Section 4.02. Termination of Installment Sale Term. The Installment Sale Term will terminate upon the earliest of either of the following events:

- (1) the discharge of the Installment Sale Agreement in accordance with Article VI hereof; or
- (2) the payment by District of all Installment Payments required to be paid by District hereunder.

ARTICLE V

INSTALLMENT PAYMENTS AND OTHER PAYMENTS

Section 5.01. Installment Payments. District agrees to pay to Corporation and its successors and assigns the Installment Payments consisting of principal and interest, at the times and in the amounts specified in this Section, in arrears for the preceding Installment Period, from Net Revenues.

Notwithstanding anything to the contrary contained herein, District covenants that it will make the Installment Payments at such times and in such amounts as will ensure timely payment of principal and interest with respect to the Certificates when due.

Each Installment Payment shall consist of:

(1) a principal component equal to the principal amount evidenced by all Certificates maturing or to be prepaid on the respective Installment Payment Date pursuant to Section 203 of the Trust Indenture; and

(2) an interest component equal to the amount calculated pursuant to Section 203 of the Trust Indenture for the applicable period.

A schedule of the Installment Payments is set forth as Exhibit B to this Agreement.

Each Installment Payment shall be paid in lawful money of the United States of America to or upon the order of Corporation or its assignee at the corporate trust office of the Trustee in Los Angeles, California.

In order to provide for the payment of Installment Payments when due, District shall, at least five Business Days prior to each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund, an amount equal to the amount indicated in Exhibit B for the next succeeding Installment Payment Date, less any funds then on hand in the Installment Payment Fund.

Interest on any Installment Payment which is overdue, to the extent lawful, will be payable by District at fixed rates equal to the interest rates with respect to the Certificates calculated on the basis of a year of 360 days comprised of twelve 30-day months.

Section 5.02. Maintenance and Application of Rate Stabilization Fund.

(a) Maintenance of Rate Stabilization Fund. District hereby covenants that it shall maintain the Rate Stabilization Fund separate and apart from other funds in its treasury for the Installment Sale Term or for so long as any Installment Payments remain unpaid. From time to time District may deposit amounts in the Rate Stabilization Fund, in such amounts as District may determine, from Unrestricted Fund Balances and/or Surplus Revenues.

(b) Permitted Uses of Rate Stabilization Fund Moneys. District may use amounts on deposit in the Rate Stabilization Fund to pay Maintenance and Operation Expenses. Moneys on deposit in the Rate Stabilization Fund shall not be used to pay Debt Service or amounts necessary to replenish any Parity Reserves.

(c) Maintenance of Rate Stabilization Fund at Minimum Balance. Except as provided in paragraph (d) below, District further covenants to maintain the Rate Stabilization Fund in an amount of not less than fifty percent (50%) of Maximum Annual Debt Service (the “Rate Stabilization Fund Minimum Balance” or “Minimum Balance”).

(d) Circumstances When Fund Balance May Fall Below the Minimum Balance. The District may allow the balance on hand in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance if District collects Net Revenues in an amount equal to one hundred twenty-five percent (125 %) of Annual Debt Service for each of two consecutive Fiscal Years.

(e) Restoration of Rate Stabilization Fund to Minimum Balance. If the District:

(1) has been permitted to allow funds in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance, as provided in paragraph (d) above; and

(2) District does not in any Fiscal Year thereafter collect Charges at least equal to 125% of Debt Service due in that year; then

(3) the covenant set forth in paragraph (c) above to maintain the Rate Stabilization Fund Minimum Balance shall again become effective on the first day of the next succeeding Fiscal Year (the “Restoration Date”). District covenants that during the Fiscal Year beginning on any Restoration Date, it shall budget for and appropriate amounts sufficient to, and shall cause the balance in the Rate Stabilization Fund to be restored to an amount equal to the Rate Stabilization Fund Minimum Balance. If the Rate Stabilization Fund Minimum Balance is so restored during such Fiscal Year, District shall not be deemed to be in default with respect to the covenant set forth in paragraph 7.02(a) for such preceding Fiscal Year.

Section 5.03. Reserved.

Section 5.04. Trustee Amounts. In addition to the Installment Payments, District shall pay all Trustee Amounts. The Trustee Amounts are the fees and expenses of the Trustee incurred in connection with the performance of its duties under the Trust Indenture.

Section 5.05. Unconditional Obligations; Net Contract. The obligations of District to pay the Installment Payments and all Trustee Amounts required under this Article V and other sections hereof and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever while any Certificates remain Outstanding or any Trustee Amounts remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of District or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation

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arising out of or connected with this Installment Sale Agreement or the Trust Indenture. This Installment Sale Agreement shall be deemed and construed to be a "net contract," and District shall pay absolutely net the Installment Payments and Trustee Amounts and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that District might otherwise have against Corporation or the Trustee or any other party or parties.

ARTICLE VI

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 6.01. Optional Prepayment.

(a) Installment Payments with Installment Payment Dates on or prior to September 1, 20___, shall not be subject to optional prepayment prior to their respective Installment Payment Dates. Installment Payments with Installment Payment Dates on or after September 1, 20___, shall be subject to prepayment prior to their respective Installment Payment Dates, at the option of, and in the amounts directed by, the District, from any source of available funds, in whole or in part (in an amount equal to \$5,000 or an integral multiple thereof) on any date on or after September 1, 20___, at the principal amount thereof and accrued interest thereon to the date fixed for prepayment, without premium.

(b) The District may prepay, from any source of available funds, all or any portion of the Installment Payments by depositing with the Trustee moneys or securities, as provided and subject to the terms and conditions set forth in Article IV of the Trust Indenture sufficient to pay such Installment Payments, and the interest thereon, when due or to pay such Installment Payments, and the interest thereon, through a specified date on which the District has a right to prepay such Installment Payments pursuant to subsection (a) of this Section, and to prepay such Installment Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) of this Section.

(c) If less than all of the Installment Payments are prepaid pursuant to this Section then, as of the date of such prepayment pursuant to subsection (a) of this Section, or the date of a deposit pursuant to subsection (b) of this Section, the schedule of Installment Payments shall be recalculated in order to take such prepayment into account.

(d) Prepayments of Installment Payments made pursuant to this Section shall be applied to the prepayment of Certificates as provided in Section 402 of the Trust Indenture.

Section 6.02. Notice of Prepayment. Before making prepayment pursuant to this Article, the District shall give written notice to the Trustee specifying the date on which the prepayment will be made, which date shall be not less than 45 nor more than 60 days from the date such notice is given to the Trustee, unless the Trustee, in its sole discretion, otherwise waives this notice requirement.

Section 6.03. Discharge of Obligations. If all Installment Payments, and the interest thereon, shall be paid as and when due in accordance with the terms hereof, or prepaid in accordance with Section 6.01 hereof, and if all Certificates shall be fully paid, or provision therefor made in accordance with Article VII of the Trust Indenture, and the Trust Indenture shall be discharged by its terms, then all agreements, covenants and other obligations of the District hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE VII

PLEDGE OF REVENUES; ADDITIONAL OBLIGATIONS

Section 7.01. Pledge of Net Revenues.

(a) Pledge of Net Revenues. District hereby covenants and agrees that the payment of the Installment Payments and Parity Debt Service shall be secured by a first pledge, charge and lien upon the Net Revenues. Net Revenues sufficient to pay the Installment Payments and Parity Debt Service as they become due and payable are hereby pledged, charged, assigned, transferred and set over by District for the purpose of securing payment of the Installment Payments and Parity Debt Service. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments and Parity Debt Service. Governmental Loans are secured by a pledge of Governmental Loans Pledged Revenues, which includes that portion of Net Revenues described in the definition of Governmental Loans Pledged Revenues, on a parity with this Installment Sale Agreement and Parity Debt with respect to that portion of Net Revenues described in the definition of Governmental Loans Pledged Revenues.

(b) Limited Obligation of District. The District shall have no obligation to use any funds other than the Net Revenues, directly or indirectly, to pay principal of or interest on the Installment Payments or Parity Debt Service; nor are any funds other than the Net Revenues so pledged as security for the payment of the Installment Payments or Parity Debt Service.

Section 7.02. Rate Covenant.

(a) District covenants that in each Fiscal Year, to the maximum extent permitted by law, it shall annually fix and collect Charges for water, recycled water and wastewater services which, after allowance for contingencies and error in estimates, shall be at least sufficient to provide Net Revenues that shall equal at least the Rate Covenant Percentage of the sum of:

- (i) Debt Service and Governmental Loan Payments due in the Fiscal Year during which such Net Revenues will be collected; and
- (ii) any required deposits to any Parity Reserves.

(b) As used herein, the term "Rate Covenant Percentage" means:

- (i) 100%, so long as the amounts on hand in the Rate Stabilization Fund are at least equal to the Rate Stabilization Fund Minimum Balance; and
- (ii) 125%, if funds on hand in the Rate Stabilization Fund do not equal or exceed the Rate Stabilization Fund Minimum Balance.

Section 7.03. No Obligation to Levy Taxes. The obligation of District to pay Installment Payments and Parity Debt Service does not constitute an obligation of District for which District is obligated to levy any form of taxation.

Section 7.04. Limitations on Additional Obligations.

(a) No Superior Obligations. In order to further protect the availability of Net Revenues and the security for the Installment Payments and Parity Obligations, District hereby agrees that District shall not, so long as any Certificates or Parity Obligations are outstanding, issue or incur any obligations payable from the Net Revenues that are superior to the Installment Payments or Parity Obligations.

(b) Issuance of Parity Obligations. District further covenants that, except for obligations issued or incurred to prepay the Installment Payments pursuant to Section 6.01 hereof, or to otherwise prepay or refund Parity Obligations that are presently outstanding, District shall not issue or incur any Additional Obligations unless, except as set forth in Section 7.07 below:

- (i) District is not in default under the terms of this Agreement or outstanding Parity Obligation Instruments; and
- (ii) Either (A) the Net Revenues, as shown by the books and records of District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Additional Obligations, as set forth in a certificate of an Independent Consultant, or (B) the estimated Net Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Additional Obligations shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth hereinafter in this covenant designated under subsection (c) below, shall have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter.

(c) Adjustments to Net Revenues. For purposes of the calculations required in (b)(ii) above, Net Revenues may be adjusted to include:

- (i) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made; and
- (ii) to the extent not included in (c)(i), an amount equal to 75% of the anticipated Net Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Additional Obligations for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made.

(d) Credit For Certain Funds. For purposes of the calculations required in (b)(ii) above, Maximum Annual Debt Service shall exclude: (i) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt

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Instruments for Parity Obligations; and (ii) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans.

Section 7.05. Limitations on Future Governmental Loans.

(a) Future Governmental Loans. District covenants that, except for obligations issued or incurred to prepay or refund Governmental Loans which are presently outstanding, District shall not issue or incur any Governmental Loans unless:

- (i) District is not in default under the terms of this Agreement or outstanding Governmental Loan Instruments; and
- (ii) Either (A) the Governmental Loans Pledged Revenues, as shown by the books and records of the District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Governmental Loan, as set forth in a certificate of an Independent Consultant, or (B) the estimated Governmental Loans Pledged Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Governmental Loan shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth hereinafter in this covenant designated under subsection (b) below, shall have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter.

(b) Adjustments to Governmental Loan Pledged Revenues. For purposes of the calculations required in (a)(ii) above, Governmental Loan Pledged Revenues may be adjusted to include:

- (i) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made; and
- (ii) to the extent not included in (b)(i), an amount equal to 75% of the anticipated Governmental Loan Pledged Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Governmental Loan for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made.

(d) Credit For Certain Funds. For purposes of the calculations required in (a)(ii) above, Maximum Annual Debt Service shall exclude: (i) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans; and (ii) amounts

on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for Parity Obligations.

Section 7.06. Pledge and First Lien. The pledge of the Net Revenues constitutes a valid pledge of and a first lien on all of the Net Revenues.

ARTICLE VIII

COVENANTS REGARDING PROJECT

Section 8.01. Use of the Project. District will not use or maintain the Project improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. District has or shall procure any permits necessary for use of the Project. In addition, District agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of any portion of the Project) with all laws of the jurisdictions in which its operations involving any portion of the Project may extend and all laws of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Project. However, District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Corporation, adversely affect the interest of Corporation in and to any portion of the Project or its interest or rights under this Agreement. Any such contest shall not affect District's duty to make payment in full of all Installment Payments.

Section 8.02. Maintenance of Project by District. District agrees that, at all times during the Installment Sale Term, District will, at District's own cost and expense, operate, maintain, preserve and keep its property and its water, recycled water and wastewater systems and every part and parcel thereof in good repair, working order and condition and that District will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. Corporation shall have no responsibility in any of these matters.

Section 8.03. Alterations. District may at any time or times during the Installment Sale Term, at its own cost and expense, rebuild or make any alterations, rebuilding, replacements or changes, additions and improvements in and to, the Project, including the installation, removal or disposal of any equipment, whether or not such equipment shall be a part of the Project; provided,

- (1) such alteration or change shall not cause the Project to be used for purposes other than the purposes authorized in Section 2.01 (5) hereof; and
- (2) that before the commencement of any such work, all necessary plans and specifications shall be filed with and approved by all governmental authorities having jurisdiction thereof and all such work shall be done subject to and in accordance with the requirements of such authorities.

Section 8.04. Substitution of or Addition to Project. District shall have the right to substitute or add capital facilities and/or real property interests to the Project identified in Exhibit A, upon the following terms and conditions:

- (1) All costs and expenses incurred in connection with such substitution, or addition, of such capital facilities and/or real property interests shall be borne by District.
- (2) Notwithstanding any such substitution or addition, there shall be no reduction in the Installment Payments due from District pursuant to the Installment Sale Agreement.
- (3) Any capital facility so substituted or added shall have a useful life equal to, or greater than, the then remaining period of the Installment Sale Term.

(4) District and Corporation shall provide the Trustee with a written certificate in the form substantially as attached as Exhibit C hereto.

Section 8.05. Disposition of Project. The District shall not dispose of any portion of the Project while the Installment Payments are unpaid, except for property that is not operating or is worn out and except for the dedication of public streets and public and private utility easements.

Section 8.06. Taxes, Other Governmental Charges and Utility Charges. The parties to this Agreement contemplate that the Project will be used for a governmental or proprietary purpose of District and, therefore, that the Project will be exempt from all taxes presently assessed and levied with respect to real property. For purposes of real property taxation, District shall be deemed to have the sole title to and taxable interest in the Project during the term hereof.

In the event that the use, possession or acquisition of the Project is found to be subject to taxation in any form (except for income or franchise taxes of Corporation), District will pay during the Installment Sale Term, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project and any other property acquired by District as a renewal or replacement of, or a modification, improvement or addition to the Project as well as all charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, District shall be obligated to pay only such installments as are accrued during such time as this Agreement is in effect.

District or any lessee of the Project may, at District's or such lessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, unless Corporation shall notify District or such lessee that an Opinion of Counsel procured at District's or such lessee's expense has concluded that by nonpayment of any such items, the interest of Corporation in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event District or such lessee shall promptly pay or cause to be paid such taxes, assessments or charges or provide Corporation with full security against any loss which may result from nonpayment, in a form satisfactory to Corporation.

ARTICLE IX

INSURANCE; CONDEMNATION

Section 9.01. Insurance. District shall maintain or cause to be maintained continually throughout the Installment Sale Term insurance, which may be self-insurance, against risks of damage, hazards, casualties and contingencies of such types, with such terms, and in such amounts as shall then be customarily carried by prudent owners or lessees of buildings, facilities, fixtures or improvements in the locality and of a character, condition, construction, use and occupancy similar to the Project.

With respect to contracts for the rehabilitation or reconstruction of the Project, District shall maintain or cause its contractors to maintain such types and amounts of insurance for liability, builder's risk, and workers' compensation and surety bonds as are customary for public works projects comparable to the Project, for the applicable contract and customary guarantee periods.

Section 9.02. Premiums. District shall pay or cause to be paid when due the premiums for all insurance policies required by this Agreement.

Section 9.03. Inability to Obtain Insurance. Notwithstanding Section 9.01, if at any time District shall be unable to obtain or maintain insurance to the extent required by such Section on reasonable terms, as to amounts, costs or as to risks, the failure to maintain such insurance shall not constitute a default under this Agreement if District shall cause the employment of an independent insurance consultant having a favorable reputation for skill and experience in such matters, for the purpose of reviewing such insurance requirements and making recommendations respecting the types, amounts and provisions of reasonably obtainable insurance, including self-insurance, or the establishment of other generally accepted forms of alternative protection that should be carried in lieu thereof, or the infeasibility of obtaining insurance, and if District shall comply with the recommendations made in such report.

Section 9.04. Application of Net Proceeds. If any portion of the Project is damaged or destroyed by casualty or taken in a condemnation proceeding, District shall apply any resulting Net Proceeds to the repair, replacement or restoration of the Project. For purposes of the foregoing, the construction or acquisition of additional or substitute facilities under Section 8.04 shall be considered such a replacement.

District shall hold the Net Proceeds in a special account for application to such costs. The Net Proceeds held in such account may be invested in Authorized Investments, and any resulting earnings shall be retained in such special account and applied to such costs.

Section 9.05. Cooperation of Corporation. At the expense of District, Corporation shall cooperate fully with District, or any lessee or transferee, in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 9.01 hereof and in the defense of any prospective or pending eminent domain proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit District and any lessee or transferee of the Project to litigate in any proceeding resulting therefrom in the name and on behalf of Corporation. In no event will Corporation voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending eminent domain proceeding with respect to the Project or any part thereof without the written consent of District.

ARTICLE X**DISCLAIMER OF WARRANTIES; ENFORCEMENT OF WARRANTIES****Section 10.01. Disclaimer of Warranties.**

(a) District's Disclaimer. DISTRICT MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITIES, OR WARRANTY WITH RESPECT THERETO. CORPORATION ACKNOWLEDGES THAT DISTRICT IS NOT A DEVELOPER OR BUILDER OF THE FACILITIES OR A DEALER THEREIN, THAT CORPORATION BUYS THE FACILITIES AS -IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY CORPORATION. In no event shall District be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement or the existence, furnishing, functioning or Corporation's use of the Project or any part thereof.

(b) Corporation's Disclaimer. CORPORATION MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITIES, OR WARRANTY WITH RESPECT THERETO. DISTRICT ACKNOWLEDGES THAT CORPORATION IS NOT A DEVELOPER OR BUILDER OF THE FACILITIES OR A DEALER THEREIN, THAT DISTRICT BUYS THE FACILITIES AS IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY DISTRICT. In no event shall Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement or the existence, furnishing, functioning or District's use of the Project or any part thereof.

Section 10.02. Enforcement of Warranties. Corporation hereby irrevocably appoints District its agent and attorney-in-fact during the Installment Sale Term, so long as District shall not be in default hereunder, to assert from time to time whatever claims and rights including warranties which Corporation may have with respect to the Project. District's sole remedy for the breach of such warranty, indemnification or representation shall be against said builder, supplier or manufacturer of the Project, and not against Corporation, nor shall such matter have any effect whatsoever on the rights and obligations of Corporation with respect to this Agreement, including the right to receive full and timely payments hereunder. District expressly acknowledges that Corporation makes, and has made, no representations or warranties whatsoever as to the existence or availability of such warranties on the real property, improvements or any other part of the Project.

ARTICLE XI

ASSIGNMENT AND INDEMNIFICATION

Section 11.01. Assignment by Corporation. District's rights under this Agreement to receive and enforce payment of the Installment Payments to be made by District under this Agreement shall be assigned to the Trustee pursuant to the Assignment Agreement. Corporation hereby authorizes and directs District to make all payments required or permitted under this Agreement to the Trustee. Except as contemplated by this Agreement and the Trust Indenture, Corporation shall not assign any of its interests in this Agreement.

Section 11.02. Assignment by District. This Agreement and the obligations of District hereunder shall not be assigned by District for any reason.

Section 11.03. Release and Indemnification Covenants. District agrees, to the extent permitted by law, to indemnify and hold harmless Corporation or its respective officers, directors, employees or agents and the Trustee from and against any and all losses, claims, damages, liabilities or expenses, including, without limitation, and not limited to, losses, claims, damages, liabilities or expenses arising out of, resulting from or in any way connected with (1) the Project, or the conditions, occupancy, use or possession of such facilities or any part thereof; or (2) the sale of any Certificates and the carrying out of any of the transactions contemplated by the Certificates, the Trust Indenture, this Installment Sale Agreement, the Assignment Agreement, or any documents entered into in connection therewith.

Notwithstanding anything to the contrary in the foregoing, District's indemnification obligations set forth in this Section 11.03, shall not extend to any losses, claims, damages, liabilities or expenses arising from the negligence or intentional acts of Corporation or the Trustee or each of their respective officers, directors, employees or agents.

The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of the Installment Sale Term for any reason.

ARTICLE XII**EVENTS OF DEFAULT AND REMEDIES**

Section 12.01. Events of Default Defined. The following shall be “events of default” under this Agreement and the terms “event of default” and “default” shall mean, whenever they are used in this Agreement, any one or more of the following events:

- (1) A failure by District to pay any Installment Payment to the Trustee by a date no later than the Installment Payment Date; or
- (2) Failure by District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (1) and (2) above, for a period of 45 days after written notice to District and the Trustee by Corporation, specifying such failure and requesting that it be remedied, unless Corporation, with the consent of the Trustee, shall agree in writing to any extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, Corporation will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by District within the applicable period and diligently pursued until the default is corrected; or
- (3) The occurrence of any Event of Default under the Trust Indenture.

If by reason of force majeure District is unable in whole or in part to carry out its agreement on its part herein contained, other than the obligations on the part of District contained in Article V hereof, District shall not be deemed in default during the continuance of such inability. The term “force majeure” as used herein shall mean any cause or event not reasonably within the control of District, including, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the state wherein District is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, wells, reservoirs, treatment facilities, transmission pipes or any other facilities of District or any appurtenances thereto.

Section 12.02. Remedies on Default. Whenever any event of default referred to in Section 12.01 hereof shall have happened and be continuing, any one or any combination of the following remedial steps may be taken:

- (1) Corporation may declare the principal components of all Installment Payments due hereunder to be immediately due and payable, whereupon the same shall become immediately due and payable, in such amount as shall be sufficient to pay all principal and accrued interest due and payable pursuant to Section 802 of the Trust Indenture;
- (2) Corporation may exercise any option and pursue any remedy which may be exercised and pursued by the Trustee under the Trust Indenture.

#3.

(3) Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due or to become due or to enforce any of its rights hereunder.

Section 12.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Corporation to exercise any remedy reserved to it in this Article XII it shall not be necessary to give any notice, other than such notice as may be required in this Article XII.

ARTICLE XIII
MISCELLANEOUS

Section 13.01. Assurances. District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by Corporation or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and confine the security interests herein intended to be created.

Section 13.02. Notices.

(a) Any notice, request, direction, designation, demand, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by the Trust Indenture or the Certificates must be in writing except as expressly provided otherwise in the Trust Indenture or the Installment Sale Agreement.

(b) Any notice or other communication shall be sufficiently given and deemed given when delivered by hand, when transmitted if delivered by electronic, telephonic, bank wire, telecopier, telex or telegram or, in case of notices specifically permitted to be given by mail, when mailed by first-class mail, postage prepaid, addressed as follows:

- Corporation: Moulton Niguel Water District
Public Facilities Corporation
26161 Gordon Road
Laguna Hills, CA 92653
Attention: Treasurer
- District: Moulton Niguel Water District
26161 Gordon Road
Laguna Hills, CA 92653
Attention: General Manager
- Trustee: U.S. Bank National Association
Global Corporate Trust
633 West Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071

or such other address as may be specified in the writing twenty (20) days prior to such new mailing address becoming effective.

Section 13.03. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon District and Corporation and their respective successors and assigns.

Section 13.04. Severability. In the event any provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

#3.

Section 13.05. Amendments. This Agreement may be amended in writing as may be mutually agreed by District and Corporation, in the same manner and with the same restrictions governing amendments to the Trust Indenture, as set forth in Sections 1001 and 1002 of the Trust Indenture.

Section 13.06. Limitation of Rights. Nothing in this Agreement expressed or implied is intended or shall be construed to give to any person other than the District, the Corporation and the Trustee, as assignee of the Corporation, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Corporation and the Trustee, as assignee of the Corporation.

Section 13.07. Waiver of Personal Liability. No official, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, or the interest thereon, or other payments required to be made by the District hereunder, but nothing contained herein shall relieve any official, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 13.08. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.09. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of page left blank]

IN WITNESS WHEREOF, Corporation and District have each caused this Installment Sale Agreement to be executed by their respective duly authorized representatives, all as of _____ 1, 2019.

MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION

By: _____
Treasurer

Attest:

Secretary

MOULTON NIGUEL WATER DISTRICT

By: _____
General Manager

Attest:

Secretary

#3.

EXHIBIT A

DESCRIPTION OF PROJECT

The Project consists of replacements and upgrades to the District's reservoir management system and pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District's most recently adopted Capital Improvement Program and any other public water, recycled water or wastewater facilities that District determines to substitute therefor.

EXHIBIT B
SCHEDULE OF ANNUAL INSTALLMENT PAYMENTS

Payment Date (September 1)	Principal Component	Interest Component	Total Payment
	\$	\$	\$

#3.

Payment Date (September 1)	Principal Component	Interest Component	Total Payment
-------------------------------	------------------------	-----------------------	------------------

EXHIBIT C

FORM OF SUPPLEMENT TO INSTALLMENT SALE AGREEMENT

There is hereby subjected to the terms of that certain Installment Sale Agreement, dated as of _____ 1, 2019, between MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION (“Corporation”) and MOULTON NIGUEL WATER DISTRICT (“District”), and pursuant to Section 8.04 thereof, the following described Project:

Description of Project:

a) Original facilities being supplemented or replaced (if applicable):

Name: _____

[_____] Supplemented [_____] Replaced

b) Supplemental or additional facilities:

Estimated or Paid Purchase Price of Supplemental or Additional Facility:

Useful Life of Supplemental or Additional Facility:

_____ Years

[The appropriate language from the paragraphs below will be used depending on the type of facility]

[If Substitution of Facility:]

The undersigned District and Corporation Representatives, hereby certify that:

- (A) the market value of the above-described Facility at least equals the market value of the Facility for which it was substituted;
- (B) the above-described Facility has a useful life at least equal to the remaining useful life of the Facility for which it was substituted;
- (C) the above-described Facility will be used by the District for authorized purposes; and
- (D) the above-described Facility is not currently owned by Corporation.

[If Addition of Facility:]

The undersigned, District and Corporation Representatives, hereby certify that the above described Facility is being added to the Facility(ies) identified in the Installment Sale Agreement.

#3.

- (A) the added Facility has a useful life equal to, or greater, than the -remaining period of the Installment Sale Term.

The undersigned, District and Corporation Representatives, hereby certify that the Facility being acquired, delivered, installed or constructed will be owned by Corporation free and clear of all liens or claims of others, except for the lien of the Trust Indenture referred to in the Installment Sale Agreement and the rights of District under the Installment Sale Agreement, and the Corporation will not encumber title to the Facility(ies) while the Certificates remain Outstanding.

Dated: _____

MOULTON NIGUEL WATER DISTRICT

By _____
District Representative

MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION

Dated: _____

By _____
Corporation Representative

TRUST INDENTURE

By and among

MOULTON NIGUEL WATER DISTRICT,

MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION

and

**U. S. BANK NATIONAL ASSOCIATION,
as Trustee**

Dated as of _____ 1, 2019

**\$ _____
Moulton Niguel Water District
2019 Certificates of Participation**

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TRUST INDENTURE

This TRUST INDENTURE is dated and entered into as of _____ 1, 2019, by and among MOULTON NIGUEL WATER DISTRICT (“District”), a California water district duly organized and existing pursuant to Section 34000 et seq. of the California Water Code, MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION (“Corporation”), a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State of California, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee (“Trustee”).

RECITALS

A. District and the Corporation desire to acquire and construct the Project (as hereinafter defined) by selling the Project to the District on an installment sale basis by entering into this Agreement and authorizing the execution and delivery of the District’s “2019 Certificates of Participation” (the “Certificates”), evidencing an undivided and proportionate interest in Installment Payments (as defined herein) to be made by the District hereunder, under and pursuant to the Trust Indenture dated as of _____ 1, 2019.

B. The proceeds of the Certificates will be deposited with Trustee to make deposits to the Project Fund and the Delivery Costs Fund (as those terms are defined herein) hereunder.

C. District and Corporation have entered into an Installment Sale Agreement dated as of _____ 1, 2019 (“Installment Sale Agreement”), whereby Corporation has agreed to acquire the Project and to sell the Project to District, in the manner and on the terms set forth in the Installment Sale Agreement.

E. Under the Installment Sale Agreement, District is obligated to make Installment Payments (as defined herein) to Corporation for the Project, and certain other payments.

F. For the purpose of financing the acquisition and construction of the Project, Corporation has assigned and transferred substantially all of its rights under the Installment Sale Agreement to the Trustee pursuant to the Assignment Agreement, and in consideration of such assignment and the execution of this Trust Indenture, the Trustee has agreed to execute and deliver the Certificates, each evidencing a fractional, undivided interest in the Installment Payments.

G. The Certificates shall be payable from the Installment Payments payable by the District under the Installment Sale Agreement, and certain moneys and earnings thereon held by the Trustee under this Trust Indenture, as provided for under the terms of this Trust Indenture.

H. The Installment Payments will be secured by a pledge of the Net Revenues (as those terms are defined in the Trust Indenture); and

I. The pledge of Net Revenues to the Installment Payments will be on a parity basis with the District’s pledge of Net Revenues as security for:

(i) the District’s 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000; and

(ii) the District's 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000.

J. All acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the executing and entering into of this Trust Indenture do exist, have happened and have been performed in regular and due time, form and manner.

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. Definitions. For all purposes of this Trust Indenture, the following terms shall have the following meanings, unless the context requires otherwise. Capitalized terms used but not defined herein shall have the meanings given to them in the Installment Sale Agreement.

“Act” means the California Water District Law, Division 13 of the California Water Code, as amended from time to time.

“Assignment Agreement” means the assignment agreement between Corporation and the Trustee, dated as of _____ 1, 2019, pursuant to which substantially all the rights of Corporation under the Installment Sale Agreement are assigned to the Trustee, together with any and all amendments, supplements and replacements.

“Average Annual Installment Payments” means the total amount of then unpaid Installment Payments as of the date of calculation, and dividing that total by the number of Certificate Years remaining to final maturity of the Certificates.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Certificates” means the District’s “2019 Certificates of Participation” in the principal amount of \$_____, executed and delivered under this Trust Indenture.

“Certificates Owner” or **“Owner”** means the registered owner of any Certificate.

“Certificate Register” means the books which the Trustee shall keep or cause to be kept at its principal corporate trust office on which the registration and transfer of the Certificates shall be recorded pursuant to Section 205 hereof.

“Certificate Year” means the 12-month period commencing on the day after expiration of the preceding Certificate Year, except the first Certificate Year, which shall commence on the Delivery Date and end on September 1, 2020. The first full Certificate Year shall begin on September 2, 2020.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of delivery of the Installment Sale Agreement or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of delivery of the Installment Sale Agreement, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Completion Date” means the date of completion of acquisition, construction, installation and equipping of the Project, as evidenced by the filing with the Trustee of a Certificate of Completion.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of the Delivery Date executed and delivered by the District, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporation” means Moulton Niguel Water District Public Facilities Corporation.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to District or Corporation relating to the execution and delivery of the Certificates, including but not limited to settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, including Trustee’s first annual administration fee, legal fees and charges, financial and other professional consultant fees, verification agent fees, and the costs of rating agencies for credit rating of the Certificates.

“Delivery Costs Fund” means that fund established pursuant to Section 501 and administered under Section 504 hereof.

“Delivery Date” means the dates on which the Certificates are delivered to the Original Purchaser.

“Depository” means the securities depository acting as Depository pursuant to Section 305 hereof.

“District” means the Moulton Niguel Water District.

“District Representative” means the President of the Board, the General Manager, the Director of Finance, or any other person authorized by resolution of the Board of the Directors of the District to act on behalf of the District under or with respect to this Trust Indenture.

“DTC” means the Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” is defined by Section 801 hereof.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the Regulations, the term “investment” will include a hedge.

“Fiscal Year” means the twelve-month period from July 1 through and ending June 30.

“Fitch” means Fitch Ratings, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities

#3.

rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“**Independent Financial Consultant**” means a consultant or firm of such consultants generally recognized to be qualified in calculation of amounts to be rebated to the federal government pursuant to Section 148 of the Code and the related Regulations and compliance with such laws and regulations, appointed and paid by District and who, or each of whom:

- (1) is independent of District;
- (2) does not have any substantial interest, direct or indirect, with District; and
- (3) is not connected with District as a member, officer or employee of District, but who may be regularly retained to make annual or other reports to District.

“**Installment Payment Date**” means the date on which any Installment Payment is due and payable under the Installment Sale Agreement (March 1 and September 1).

“**Installment Payment Fund**” means that fund established by the Trustee pursuant to Section 501 hereof.

“**Installment Payments**” is defined in Section 1.01 of the Installment Sale Agreement.

“**Installment Sale Agreement**” means the installment sale agreement between Corporation and District dated as of _____ 1, 2019, and any and all amendments, supplements and replacements thereto.

“**Interest Payment Date**” means March 1 and September 1 in each year, commencing March 1, 2020.

“**Moody’s**” means Moody’s Investors Service, Inc. and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“**Nominee**” means the nominee of DTC, which may be DTC, as determined from time to time pursuant to Section 305 herein.

“**Original Purchaser**” means _____, as original purchaser of the Certificates upon their delivery by the Trustee on the Delivery Date.

“**Outstanding**” or “**Outstanding Certificates**” means all Certificates which have been executed and delivered by the Trustee under this Trust Indenture, except the following:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the terms hereof; and
- (3) Certificates paid and discharged pursuant to Article VII hereof.

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

“Participating Underwriter” shall have the meaning(s) ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities;
- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated “AA” or better by S&P;
- (c) U.S. dollar denominated deposit accounts federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “A” or better by S&P, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, “A” or better by S&P, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;
- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below “A”; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public boards and other entities.

“Prepayment Date” means a date on which Certificates are prepaid under Section 401 hereof

“Prepayment Fund” means that fund established by the Trustee pursuant to Section 402 hereof.

“Prepayment Price” means that price at which a Certificate or Certificates shall be prepaid.

#3.

“**Project**” is defined in Section 1.01 of the Installment Sale Agreement.

“**Project Costs**” means all costs of payment of, or reimbursement for, acquisition, construction, installation and equipping of the Project, including but not limited to, architect and engineering fees, construction contractor payments, costs of feasibility and other reports, inspection costs, performance bond premiums, and permit fees.

“**Project Fund**” means the fund of that name created in Section 503.

“**Rating Agencies**” means Fitch and Standard & Poor’s, and their successors and assigns.

“**Record Date**” means, with respect to any Interest Payment Date, the fifteenth day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“**Regulations**” means any temporary, proposed or final regulations of the United States Department of Treasury with respect to obligations issues pursuant to Section 103 and Sections 141 to 150 of the Code.

“**Replacement Certificates**” means the Certificates executed and delivered directly to the Certificate Owners upon termination of the book-entry transfer system.

“**Resolution**” means Resolution No. _____ adopted by the Board of Directors of the District on _____, 2019, authorizing the execution, sale and delivery of the Certificates and approving the terms and provisions of the Certificates, this Trust Indenture, the Installment Sale Agreement, and other related documents.

“**Responsible Officer**” means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

“**Special Counsel**” means any firm of nationally recognized municipal bond attorneys selected by the District and experienced in the issuance of municipal obligations and the exclusion of the interest thereon from gross income for federal income tax purposes.

“**Standard & Poors**” or “**S&P**” means S&P Global Ratings, and its successors and assigns, except that if such division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“**State**” means the State of California.

“**Tax Certificate**” means that certificate signed by the District on the Delivery Date relating to the requirements of the Code.

“**Trust Indenture**” means this Trust Indenture, dated as of _____ 1, 2019, by and between the District, the Corporation and the Trustee, as it may from time to time be supplemented or amended pursuant to the provisions hereof.

“**Trust Estate**” means:

(1) all right, title and interest of the Trustee in and to the Installment Payments and the Installment Sale Agreement; and

(2) all moneys and securities from time to time deposited in the funds and accounts established hereunder, including all income and investment earnings thereon, except for the Rebate Fund.

“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, and having a corporate trust office in Los Angeles, California, or any other bank or trust company duly organized or incorporated and existing under and by virtue of the laws of any state or of the United States of America, which may be substituted in its place as provided in this Trust Indenture.

“Trustee Amounts” is defined in Section 5.04 of the Installment Sale Agreement.

“U.S. Government Obligations” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

Section 102. Rules of Construction. For all purposes of this Trust Indenture, unless the context requires otherwise:

(1) All references to designated Articles, Sections and other subdivisions are to the Articles, Sections and other subdivisions of this Trust Indenture.

(2) 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. The words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Indenture as a whole and not to any particular articles, section, subdivision or clause thereof.

(3) All accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles.

ARTICLE II
THE CERTIFICATES

Section 201. Authorized Amount of Certificates; Source of Payment. No Certificates may be executed and delivered under the provisions of this Trust Indenture except in accordance with this Article. The Certificates evidence fractional undivided interests in the Installment Payments. The Trustee is authorized and directed, upon written request of the District, to execute the Certificates in the aggregate principal amount of _____ Dollars (\$_____) for the purpose of financing the costs of constructing the Project.

The sources for payment with respect to the Certificates, or interest, or premium with respect thereto, shall be limited to the Installment Payments, the sources of payment of which are established in the Installment Sale Agreement and amounts held under this Trust Indenture.

Section 202. Description of Certificates; Maturity; Interest Rates. The Certificates shall be designated "MOULTON NIGUEL WATER DISTRICT 2019 CERTIFICATES OF PARTICIPATION" and will be dated as of the Delivery Date. The Certificates shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

Maturity Date (September 1)	Principal Amount	Interest Rate Per Annum
	\$	%

The Certificates shall be delivered as fully registered Certificates without coupons in denominations of \$5,000 principal amount or any integral multiple thereof. No Certificate may have principal maturing in more than one year. The Certificates shall be numbered in consecutive numerical order or as the Trustee shall otherwise determine.

Section 203. Medium and Place of Payment. Payments of principal, interest and premium, if any, with respect to the Certificates will be made to Owners as of the Record Dates. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest with respect to the Certificates shall be payable on each Interest Payment Date, commencing March 1, 2020, to and including the date of maturity or prepayment, whichever is earlier. Said interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month Installment Period preceding each Interest Payment Date with respect to the Certificates. The fractional undivided share of the portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate.

Interest with respect to any Certificate shall be payable from and including the Interest Payment Date next preceding the date of execution thereof, unless (i) such date of execution is an Interest Payment Date, in which event interest shall be payable from such date of execution, (ii) the date of execution is after a Record Date but prior to the immediately succeeding Interest

Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) the date of execution is prior to the close of business on the first Record Date, in which event interest will be payable from the Delivery Date; provided, however, that if at the time of execution of a Certificate, interest is in default, interest with respect to that Certificate shall be payable from the last date to which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment, interest shall be payable from the Delivery Date.

Payment of interest with respect to any Certificate shall be made to the person appearing on the Certificate Register as the owner thereof as of the Record Date prior to such Interest Payment Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such Owner at its address as it appears on the Certificate Register ; provided that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount with respect to the Certificates, upon the Trustee's receipt of written request of such Owner prior to the Record Date accompanied by wire transfer instructions, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

Section 204. Execution of Certificates. The Certificates in the principal amount of \$_____ shall be executed in the name of the Trustee by the manual signature of an authorized signatory of the Trustee. Only such Certificates executed by the Trustee shall be valid for any purpose or entitled to the benefits of this Trust Indenture.

Section 205. Certificate Register. The Trustee will keep or cause to be kept at, its principal corporate trust office the Certificate Register which shall at all times be open to inspection by District during business hours with reasonable prior notice, and, upon presentation for such purpose, the Trustee shall register or transfer or cause to be registered or transferred on said Certificate Register Certificates as herein provided.

Section 206. Registration of Exchange or Transfer. The registration of any Certificate may, in accordance with its terms, be transferred upon the Certificate Register by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the principal corporate trust office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee and duly executed by the Certificate Owner or his or her duly authorized attorney. Certificates may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount and maturity of Certificates of other authorized denominations. The Trustee may charge the Certificate Owner any tax or other governmental charge required with respect to such transfer or exchange. Whenever any Certificate or Certificates shall be surrendered for registration of transfer or exchange, the Trustee shall execute and deliver a new Certificate or Certificates, for a like aggregate principal amount and maturity; provided, the Trustee shall not be required to register transfers or make exchanges of (i) Certificates for a period of 15 days next preceding the date established by the Trustee for selection of the Certificates to be prepaid, or (ii) any Certificates chosen for prepayment.

Section 207. Mutilated, Destroyed, Lost or Stolen Certificates. If any Certificate has been mutilated, destroyed, lost or stolen, the Trustee will execute and deliver a new Certificate of the same denomination provided that any mutilated Certificate shall first be surrendered to the Trustee. In the case of a destroyed, lost or stolen Certificate, there shall first be furnished to the Trustee evidence of the destruction, loss or theft, together with an indemnity naming District and the Trustee. If such Certificate has matured, the Trustee may, with District's consent, pay the same without surrender thereof, instead of executing a replacement Certificate, and impose such requirements as the Trustee sees fit for its protection, including a lost instrument bond. District

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and the Trustee may charge the owner their reasonable fees and expenses in this connection. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Indenture with all other Certificates secured by this Trust Indenture. 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 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 replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 207, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Certificate upon receipt of the aforementioned indemnity.

Subject to the provisions of this Trust Indenture, the Certificates shall be executed and delivered in substantially the form set forth in Exhibit A attached hereto and herein incorporated, which is hereby approved and adopted as the form of the Certificates and of the certificate of execution.

Section 208. Payments from Trust Estate Only. Amounts payable by the Trustee with respect to Certificates pursuant to this Trust Indenture shall be payable solely from the Trust Estate and only to the extent that the Trustee shall have actually received sufficient amounts in the Trust Estate to make the payments required hereunder and under the Certificates.

ARTICLE III
BOOK-ENTRY PROVISIONS

Section 301. Book-Entry System; Limited Obligation of the District. The Certificates shall be initially executed and delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity of the Certificates. Upon initial execution and delivery, the Ownership of each such Certificate shall be registered in the Certificate Register by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in Section 206 hereof, all of the Outstanding Certificates shall be registered in the Certificate Register by the Trustee in the name of the Nominee.

With respect to Certificates registered in the Certificate Register by the Trustee in the name of the Nominee, District, Corporation and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, neither the District, the Corporation nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any Ownership interest in the Certificates, (ii) the delivery to any Participant or any other Person, other than a Certificate Owner as shown in the Certificate Register, of any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in the Certificates to be prepaid in the event the Certificates are prepaid in part, or (iv) the payment to any Participant or any other Person, other than a Certificate Owner as shown in the Certificate Register, of any amount with respect to principal of, premium, if any, or interest with respect to the Certificates. District, Corporation and the Trustee may treat and consider the Person in whose name each Certificate is registered in the Certificate Register as the absolute Owner of such Certificate for the purpose of payment of principal, premium and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest with respect to the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge District's obligations with respect to payment of principal of, premium, if any, and interest on the Certificates to the extent of the sum or sums so paid. No Person other than a Certificate Owner, as shown in the Certificate Register, shall receive a Certificate evidencing the obligation of District to make payments of principal, premium, if any, and interest pursuant to this Trust Indenture and the Installment Sale Agreement. Upon delivery by the Depository to the Certificate Owner, the Trustee and District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Trust Indenture shall refer to such new nominee of the Depository.

Section 302. Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the District has executed and delivered to the Depository the Representation Letter, in the form prescribed by the Depository. The execution and delivery of the Representation Letter shall not in any other way limit the provisions of this Section or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Certificates other than the Owners of the Certificates, as shown on the Certificates Register. In addition to the execution and delivery of the Representation Letter, the District shall

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take such other actions, consistent with this Trust Indenture, as are reasonably necessary to qualify the Certificates for the Depository's book-entry program.

Section 303. Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Certificates, or (ii) the Depository shall no longer so act and gives notice to the District of such determination, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall instruct the Trustee to prepare a new single, separate, fully registered Certificate, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in the Certificate Register in the name of the Nominee, but shall be registered in whatever name or names Owners of the Certificates transferring or exchanging Certificates shall designate, in accordance with the provisions of Section 206, hereof, and the Trustee shall execute and deliver Certificates to the Owners thereof for such purposes.

In the event of a reduction in aggregate principal amount of Certificates Outstanding, DTC in its discretion, (a) may request the Trustee to execute and deliver a new Certificate, or (b) may make an appropriate notation on the Certificate indicating the date and amounts of such reduction in principal, but in such event the records maintained by the Trustee shall be conclusive as to what amounts are outstanding on the Certificate, except in the case of final maturity in which case the Certificate must be presented to the Trustee prior to payment.

Section 304. Payments to the Nominee. Notwithstanding any other provisions of this Trust Indenture to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest evidenced by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository and agreed upon by the Trustee.

Section 305. Initial Depository and Nominee. The initial Depository under this Article shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

ARTICLE IV
PREPAYMENT

Section 401. Optional Prepayments. Certificates maturing on or before September 1, 20__ shall not be subject to optional prepayment prior to maturity. Certificates maturing on or after September 1, 20__ may be prepaid before maturity in whole or in part (but not in a total prepayment amount of less than \$5,000) on September 1, 20__, or on any date thereafter ("Prepayment Date") as a result of the prepayment of Installment Payments, at a price equal to the principal amount thereof together with accrued interest thereon to the Prepayment Date without premium ("Prepayment Price").

If, on any Prepayment Date, fewer than all the Certificates are to be prepaid, the District will select the Certificates to be prepaid at its discretion, and in the case of any single maturity by lot within that maturity. The portion of any such Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part to \$5,000.

If any Certificate is to be prepaid as provided in this Section 401, District will, at least 45 days before the Prepayment Date, notify the Trustee in writing of its election to prepay the maturities so selected by the District, the Prepayment Date and the principal amount of Certificates to be prepaid, unless such notice is otherwise waived by the Trustee.

Section 402. Mandatory Sinking Account Prepayment. The Certificates maturing on September 1, 20__ and September 1, 20__ are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 20__ and September 1, 20__, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment date, as follows:

\$ _____ **Certificates Maturing September 1, 20__**

<u>Year</u> <u>(September 1)</u>	Principal Amount of Certificates to be <u>Prepaid</u> \$
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\$ _____ Certificates Maturing September 1, 20__

Year (September 1)	Principal Amount of Certificates to be <u>Prepaid</u> \$
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In the event that the Trustee prepays the Certificates maturing on September 1, 20__ or September 1, 20__ in part but not in whole pursuant to a prepayment described in Section 401, the amount of the Certificates to be prepaid on each prepayment date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

Section 403. Prepayment Fund. Prior to any prepayment of Certificates pursuant to Section 401 above, there shall be established by the Trustee a fund to be designated the "Moulton Niguel Water District 2019 Certificates of Participation Prepayment Fund" ("Prepayment Fund"). Prior to any prepayment under Section 401 or 402 above, the Trustee, at the direction of District, shall deposit in the Prepayment Fund moneys made available for the purpose of and sufficient to prepay, at the premiums, if any, payable as provided in this Trust Indenture, the Certificates designated in such notice of prepayment to the Trustee.

Moneys referred to in the previous paragraph must be deposited prior to the date the notice of prepayment is given by the Trustee under Section 404 hereof, except where such prepayment is to be made from the proceeds of refunding certificates, and be set aside in the Prepayment Fund solely for the purpose of prepaying Certificates. Money so deposited shall be applied on or after the Prepayment Date to the payment of principal and premium (if any) with respect to the Certificates to be prepaid upon presentation and surrender of such Certificates.

If, after all of the Certificates so designated for prepayment have been prepaid and cancelled or paid and cancelled, there are moneys remaining in the Prepayment Fund, said moneys shall be transferred to the Installment Payment Fund. If such remaining moneys are part of the proceeds of refunding certificates, such moneys may, at the direction of District, be transferred to the fund or account created for the payment of principal of and interest on such refunding certificates.

Section 404. Notice of Prepayment. Unless waived by any Owner of Certificates to be prepaid, notice of any prepayment of Certificates shall be given, at the expense of the District, by the Trustee by mailing a copy of a prepayment notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for prepayment to the Owner of the Certificate or Certificates to be prepaid at the address shown on the Certificate Register; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates. Any such notice also shall be given to the Securities Depositories and posted on the Municipal Securities Rulemaking Board's Electronic Municipal Marketplace Access website on the same date that it is given to the Owner of the Certificates.

Section 405. Contents of Notice. All notices of prepayment shall be dated and shall state:

- (i) the CUSIP numbers of all Outstanding Certificates being prepaid;
- (ii) the stated interest rate with respect to each Certificate being prepaid;
- (iii) the maturity date of each Certificate being prepaid;
- (iv) the Prepayment Price;
- (v) that on the prepayment date the Prepayment Price will become due and payable with respect to each such Certificate or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date; and
- (vi) the place or places where such Certificates are to be surrendered for payment of the Prepayment Price, which places of payment may include the Principal Corporate Trust Office of the Trustee.

The District may send a conditional notice of prepayment that notifies the Owners of the Certificates to be prepaid that the prepayment is subject to the availability of funds. The District shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Outstanding Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under this Trust Indenture. The District and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Section 406. Consequences of Notice. Notice of prepayment having been given as aforesaid, the Certificates or portions of Certificates so to be prepaid shall, on the prepayment date, become due and payable at the Prepayment Price therein specified, and from and after such date (unless the District shall default in the payment of the Prepayment Price) such Certificates or portions of Certificates shall cease to have interest accrue thereon. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trustee at the Prepayment Price. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Certificate, there shall be prepared for the Owner a new Certificate or Certificates of the same maturity in the amount of the unprepaid principal. All Certificates that have been prepaid shall be cancelled and destroyed by the Trustee and shall not be redelivered. Neither the failure of any Certificate Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for prepayment of any Certificates nor the cessation of accrual of interest thereon.

Section 407. Partial Prepayment of Certificates. In the event only a portion of any Certificate is called for prepayment, then upon surrender of such Certificate prepaid in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Certificate or Certificates, of the same maturity, of authorized

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denominations in aggregate principal amount equal to the unprepaid portion of the Certificate or Certificates.

Section 408. Manner of Prepayment. Whenever any Certificates are to be selected for prepayment and unless otherwise provided herein, the District shall determine the Certificates or portions thereof to be prepaid among series and maturities within a series and notify the Trustee, and the Trustee shall select the Certificates or portions thereof to be prepaid by lot within a maturity and notify the District.

Section 409. Purchase in Lieu of Prepayment. In lieu of prepayment under Section 401, moneys in the Debt Service Fund or other funds provided by the District may be used and withdrawn by the Trustee for purchase of Outstanding Certificates, upon the filing with the Trustee of a Certificate of the District requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Certificate of the District may provide, but in no event may Certificates be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium that would otherwise be due if such Certificates were to be prepaid in accordance with this Trust Indenture. Any Certificates purchased pursuant to this Section 410 shall be treated as Outstanding Certificates under this Trust Indenture, except to the extent otherwise directed in a Certificate of the District. Upon receipt of such a Certificate of the District, the Trustee shall cancel and destroy the Certificates that are the subject thereof.

ARTICLE V
APPLICATION OF PROCEEDS AND PAYMENT OF
CERTIFICATES

Section 501. Creation of Funds and Application of Initial Sale Proceeds.

(a) The following funds and accounts are hereby created and established and shall be maintained by the Trustee, subject to the terms and conditions herein:

(1) The "Moulton Niguel Water District 2019 Certificates of Participation Installment Payment Fund" ("Installment Payment Fund");

(2) The "Moulton Niguel Water District 2019 Certificates of Participation Delivery Costs Fund" ("Delivery Costs Fund"); and

(3) Moulton Niguel Water District 2019 Certificates of Participation, Rebate Fund ("Rebate Fund").

(b) On the Delivery Date, the Original Purchaser will pay a purchase price for the Certificates in the amount of \$_____, which is equal to the original principal amount of the Certificates (\$_____), *plus* a net original issue premium of \$_____, *less* an underwriter's discount of \$_____. On the Delivery Date, the Original Purchaser will wire the purchase price for the Certificates to the Trustee in the net amount of \$_____, because the Trustee holds \$_____ of such purchase price under a Good Faith Funds Custodial Agreement, dated _____, 2019, and the Trustee shall apply such purchase price on the Delivery Date in the following manner:

(1) \$_____, an amount equal to the Delivery Costs shall be deposited in the Delivery Costs Fund; and

(2) the balance of \$_____ shall be deposited into the Project Fund to finance the costs of the acquisition and construction of the Project.

The Trustee may, in its discretion, establish a temporary fund or account in its books or records to facilitate such transfers at no additional cost to the District or the Corporation.

Section 502. Installment Payment Fund.

(a) The moneys in the Installment Payment Fund shall be held by the Trustee in trust, and shall be subject to a lien and charge in favor of the Owners of the Certificates executed and outstanding under this Trust Indenture.

There are hereby created and established two accounts in the Installment Payment Fund to be known as:

(1) the Interest Account; and

(2) the Principal Account.

The Trustee will deposit the moneys received from District to be applied to Installment Payments, upon receipt thereof, into the Interest Account and Principal Account within the

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Installment Payment Fund. Funds will be deposited so that the respective amounts in such accounts will be equal to the principal and interest due with respect to the Certificates on the ensuing Interest Payment Date, less amounts on hand in such accounts available to pay such principal and/or interest.

Interest or other income earned on moneys or investments in the Installment Payment Fund shall be retained in such fund (and the respective accounts therein) and used for the purposes authorized herein.

(b) If three Business Day prior to an Interest Payment Date the Trustee determines that there will be insufficient funds in the Installment Payment Fund to pay the principal or interest with respect to the Certificates on such Interest Payment Date, the Trustee shall so notify District. Such notice shall specify the amount of the anticipated deficiency.

Section 503. Project Fund.

(a) The amount of \$_____ from proceeds of the Certificates shall be deposited to the Project Fund, to be held and applied as hereinafter provided.

(b) Amounts in the Project Fund shall be disbursed for Project Costs by the Trustee upon receipt of a sequentially requisition requesting disbursement executed by a District Representative, in the form attached hereto as Exhibit C.

(c) The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 7.02 hereof) of the moneys held in the Project Fund and the payment thereof in accordance with this Section 503, but the Trustee shall not be responsible for such requisitions and shall be under no duty to investigate or verify any statements made therein.

(d) The Trustee is hereby directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a District Representative to be required for payment of Project Costs shall, on the Completion Date for the Project, be transferred to the Installment Payment Fund and applied as a credit against the Installment Payments as the same become due and payable, and the Project Fund shall be closed.

Section 504. Delivery Costs Fund.

(a) The Trustee shall, on the Delivery Date, deposit \$_____ from the proceeds of the Certificates in the Delivery Costs Fund and shall maintain such fund as set forth herein.

(b) The Trustee shall disburse funds from the Delivery Costs Fund for payment of Delivery Costs upon receipt of a payment request form substantially in the form of Exhibit B and approved by a District Representative. All interest earnings on moneys in the Delivery Costs Fund shall be retained therein and used to pay the Delivery Costs.

(c) Upon payment in full of all Delivery Costs, which shall be established by a certificate to the Trustee to that effect by a District Representative, and in any event no later than _____, 20__ [**THREE MONTHS AFTER CLOSING**], the Trustee shall transfer all funds remaining in the Delivery Costs Fund to the Project Fund.

Section 505. Reserved .**Section 506. Rebate Fund.**

(a) Establishment. The Trustee shall establish a Rebate Fund and shall maintain such fund for the Certificates. Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest on the Certificates will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section 506 and the Tax Certificate for such Certificates, unless and to the extent that the District delivers to the Trustee an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates will not be adversely affected if such requirements are not satisfied. Notwithstanding any other provision of this Trust Indenture, the Trustee shall be deemed conclusively to have complied with this Section 506 and the Tax Certificate if it follows the directions set forth in any written directive of the District and shall be fully protected in so doing. The Trustee shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the District with the terms of this Section 506 or the Tax Certificate.

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

(i) Fifth Year Computation. Within 55 days of the end of the fifth Certificate Year and every fifth Certificate Year thereafter, the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations, for this purpose treating the last day of the fifth Certificate Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations ("Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section 506.

(ii) Payment to the U. S. Treasury. The Trustee shall pay, as directed by written directive of the District, to the United States Treasury, out of amounts in the Rebate Fund:

(X) Not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each applicable fifth Certificate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage (as defined in the Tax Certificate) as set forth in a certificate of the District delivered to the Trustee calculated as of the end of such Certificate Year; and

(Y) Not later than 60 days after the payment of all the Certificates, an amount equal to 100% of the Rebatable Arbitrage as set forth in a certificate of the District delivered to the Trustee calculated as of the end of such applicable Certificate Year, and any income attributable to the Rebatable Arbitrage, as set forth in a certificate of the District delivered to the Trustee computed in accordance with Section 148(f) of the Code.

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In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit with the Trustee an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a)(1) shall be made to the Internal Revenue Service Center, Ogden, Utah 84207 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (which form shall be completed and provided by the District to the Trustee), or shall be made in such other manner as provided under the Code, in each case as specified in a written request of the District delivered to the Trustee.

(b) Disposition of Unexpended Funds. Any funds remaining in the accounts of the Rebate Fund for the Certificates after payment or prepayment of the Certificates and the payments of all amounts described in subsection (a)(1)(ii) above may be withdrawn by the Trustee upon written direction of the District and remitted to the District and utilized in any manner by the District.

(c) Survival if Defeasance. Notwithstanding anything in this Section 506 to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Certificates.

(d) Modification Upon Opinion of Special Counsel. Notwithstanding the foregoing, if the District shall obtain an opinion of Special Counsel that any specified action under this Section 506 is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the Certificates, the District and the Trustee may conclusively rely on such opinion in complying with the requirements hereunder, and the terms of this Section 506 shall be deemed modified to that extent.

Section 507. Investment of Moneys Held by Trustee. The Trustee shall maintain separate books and records regarding the investment of monies in any of the funds or accounts established pursuant to this Trust Indenture. Permitted Investments shall be deemed at all times to be a part of such funds or accounts. Any loss resulting from such Permitted Investments shall be charged to such funds or accounts. Subject to limitations as to maturities set forth below and any additional limitations or requirements established by the District and consistent with the foregoing, the Trustee shall invest the amounts on deposit in all funds or accounts in Permitted Investments as directed in writing by the District, which may be in the form of a facsimile confirmed promptly in writing by mail, subject to the following restrictions:

(a) Monies in the Delivery Costs Fund shall be invested in Permitted Investments which will by their terms mature as close as practicable to the date the District estimates the monies represented by the particular investment will be needed for withdrawal from such funds;

(b) Monies in the Installment Payment Fund shall be invested only in Permitted Investments which by their terms mature as close as practicable to the date the monies therein will be needed for withdrawal, so as to ensure the payment of principal and interest on the Certificates as the same become due; and

(c) Monies in the Rebate Fund shall be invested only in U.S. Government Obligations which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States pursuant to Section 506 hereof or the Tax Certificate.

Absent direction from the District, and subject to any limitations on investment yield or further investment restrictions set forth in this Trust Indenture, the Trustee shall invest monies in any of the funds or accounts created by this Trust Indenture in Permitted Investments described in clause (e) of the definition thereof. The Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it may be necessary to do so in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, such investments. The value of the Permitted Investments shall be determined as follows, subject to any requirements set forth in the Regulations: (i) for the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Subject to Section 905, the Trustee will not be responsible for any loss from any investment authorized pursuant to this Trust Indenture. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

(d) The District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Indenture, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant 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, provided upon District's request, the Trustee shall provide copies of all such confirmations to District. The Trustee may make any investments hereunder through its own bond investment department or trust investment department, or those of its parent or any affiliate.

ARTICLE VI
COVENANTS

So long as any of the Certificates are Outstanding and unpaid, District and Corporation make the following covenants with the Certificate Owners under the provisions of this Trust Indenture (to be performed by District and Corporation or their proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Certificates and tend to make them more marketable:

Section 601. Payment of Installment Payments. District will promptly pay the Installment Payments, on the dates and in the manner provided in the Installment Sale Agreement, but only from the sources available therefor under the Installment Sale Agreement. Corporation will not sell, assign, transfer or otherwise dispose of the Installment Sale Agreement, any Installment Payment thereunder or any right to enforce the Installment Sale Agreement, except as permitted pursuant to the Assignment Agreement.

Section 602. Cooperation of District and Corporation. Subject to Section 905 hereof, the Trustee is hereby directed to enforce, on behalf of Corporation, the rights to collect Installment Payments or otherwise protect its interests and rights under the Installment Sale Agreement in the event of a default thereunder by District. District and Corporation shall cooperate fully with the Trustee in order to enable it to take any action required hereunder; in particular, Corporation shall cooperate fully with the Trustee in order to enable it to enforce any rights or pursue any remedies under the Installment Sale Agreement.

Section 603. Further Assurances. District and Corporation will execute and deliver such supplemental Trust Indentures and such further instruments, and do such further acts, as the Trustee may reasonably require for the better assuring, and confirming to the Trustee the amounts from the sources available under the Installment Sale Agreement for the payment of the Certificates.

Section 604. Tax Covenants. District hereby covenants to comply with the following covenants:

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

(b) Federal Guarantee Prohibition. The District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the obligations of the District under the Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

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

(d) No Arbitrage. The District will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of delivery of the Installment Sale Agreement would have caused any of the obligations of the District under the Installment Sale Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The District will take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of delivery of the Installment Sale Agreement.

(f) Record Retention. The District will retain its records of all accounting and monitoring it carries out with respect to the Certificates for at least 3 years after the Certificates mature or are prepaid (whichever is earlier); however, if the Certificates are prepaid and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Certificates.

(g) Compliance with Tax Certificate. The District will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Certificates, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Certificates.

Section 605. Further Assurances. The District shall adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the obligations and covenants under this Trust Indenture, and for better assuring and confirming unto the Owners of the rights and benefits provided in this Trust Indenture.

Section 606. Continuing Disclosure Covenant. The District hereby covenants and agrees that it shall comply with and carry out all of its obligations under the Continuing Disclosure Certificate. Notwithstanding any other provision of this Trust Indenture, failure of the District to comply with its obligations under the Continuing Disclosure Certificate shall not be considered an Event of Default under this Trust Indenture, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Certificate, shall be an action to compel performance thereof. The Trustee shall, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Certificates and upon receipt of reasonable indemnification acceptable to it, or any Certificate Owner or Beneficial 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 Covenant. For purposes of this Section, "Beneficial Owners" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Certificates for federal income tax purposes.

ARTICLE VII
DISCHARGE

Section 701. Certificates Deemed Paid. Any Certificate will be deemed paid for all purposes of this Trust Indenture when:

(a) Payment of the principal, interest and premium, if any, that will become due with respect to such Certificate to the due date of such principal, interest and premium, if any, (whether at maturity, upon prepayment or otherwise) either

(1) has been made in accordance with the terms of such Certificate; or

(2) has been provided for by the deposit with the Trustee of:

(i) moneys, which may include moneys held in any fund or account on deposit with the Trustee, and/or

(ii) direct, noncallable U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will, together with moneys set aside in accordance with clause (i) above, insure the availability of sufficient moneys to make such payment,

or such Certificate has been purchased prior to maturity and tendered to the Trustee for cancellation in accordance with Section 409.

(b) All compensation and expenses of the Trustee pertaining to such Certificate or to which the Trustee is otherwise entitled under this Trust Indenture have been paid or provided for. This includes, without limitation, provision for any indemnity that the Trustee may require.

(c) When a Certificate is deemed paid, it will no longer be secured by or entitled to the benefits of this Trust Indenture, except for payment from such moneys or U.S. Government Obligations and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article II.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the first paragraph of this Section shall be deemed a payment of a Certificate until:

(1) the Certificate matures; or

(2) notice of prepayment of the Certificate is given in accordance with Article IV; or

(3) District has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to notify the Certificate Owner that the deposit required by (a)(2) above has been made with the Trustee, and that the Certificate is deemed to be paid under this Article. In addition, the notification will state the maturity or Prepayment Date upon which the moneys are to be available for the payment of the principal of the Certificate.

Any notice given under (c)(2) or (c)(3) with respect to Certificates constituting fewer than all of the Certificates of a maturity, shall specify the letter and number or other distinguishing mark of each such Certificate deemed to be paid.

Section 702. Discharge. When all Outstanding Certificates are deemed paid under the foregoing provisions of this Section, the Trustee will upon request acknowledge the discharge of District's payment obligations under the Installment Sale Agreement, provided, however, that in any event, District's obligations to indemnify the Trustee pursuant to Section 903 of this Trust Indenture shall survive such discharge.

Section 703. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to the preceding Section and shall apply the deposited money and the money from the U.S. Government Obligations in accordance with this Trust Indenture only to the payment of principal, interest and premium, if any, with respect to the Certificates in respect of which the deposit has been made.

Section 704. Unclaimed Moneys Upon Expiration of Term. Notwithstanding any other provision in Article VII of this Trust Indenture, but subject to the notice requirements set forth below, upon expiration of the term of this Trust Indenture, or a period of two years after the date of maturity or prepayment for any Certificate, as appropriate, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal or Prepayment Price represented by such of the Certificates shall be repaid by the Trustee to District as its absolute property free from trust. The Trustee shall thereupon be released and discharged with respect thereto, and the Owners shall look only to District for the payment of the interest and principal of Prepayment Price represented by such Certificates unless otherwise specified by applicable abandoned property law of the State. Prior to paying such funds over to District, as provided for above, the Trustee shall mail a notice (in a form determined by the Trustee) to the Owners of all Outstanding Certificates that:

- (1) such funds so payable remain unclaimed; and
- (2) that after a date specified in such notice (at least 30 days after the notice is mailed) the balance of such moneys unclaimed will be returned to District.

ARTICLE VIII
DEFAULTS AND REMEDIES

Section 801. Events of Default. An “Event of Default” is any of the following:

(1) There is a default in the payment of interest, principal or premium with respect to any Certificate when due, at maturity or upon prepayment or otherwise.

(2) An “event of default” has occurred and is continuing under the Installment Sale Agreement.

(3) District or Corporation fails to perform any of its respective agreements in this Trust Indenture or the Certificates (except a failure that results in an Event of Default under clause (1) or (2) above), and the failure continues after the notice and for the period specified in this Section 801.

A default under clause (3) is not an Event of Default until:

(a) the Trustee or the Owners of at least 25% in principal amount of the Certificates give District or Corporation, as applicable, a notice specifying the default, demanding that it be remedied and stating that the notice is a “Notice of Default”, and

(b) District or Corporation, as applicable, does not cure the default within 45 days after receipt of the notice, or within such longer period as the Trustee shall agree to. The Trustee shall not unreasonably refuse to agree to a longer period if the default cannot reasonably be cured within 45 days after receipt of the notice and District or Corporation, as applicable, has begun within 45 days diligent efforts to correct the default have continued.

If an Event of Default occurs and is continuing, the Trustee will mail notice of the Event of Default to the Certificate Owners as promptly as practicable after the Trustee has notice of it as provided in Section 906 hereof. The Trustee shall not be required to mail notice of an Event of Default if the Trustee determines that such shall not be in the best interest of the Owners.

A default of the District under the terms of the Continuing Disclosure Certificate shall not be an Event of Default.

Section 802. Acceleration; Remedies for Event of Default. If,

(a) an Event of Default occurs under clause (1) of the foregoing section; or

(b) an Event of Default occurs under Clause (2) or (3) of the foregoing Section and is continuing and the Trustee has provided three days written notice of the Event of Default under clause (2) or (3) to District and Corporation, the Trustee may, and upon the written direction of the Owners of at least 25% in principal amount of the Outstanding Certificates, the Trustee shall, declare the principal components of all remaining Installment Payments to be due and payable from the Net Revenues whereupon such principal components of all remaining Installment Payments and the interest accrued to the date of payment shall without further action come immediately due and payable, anything in this Trust Indenture or the Certificates to the contrary notwithstanding.

At the same time as such notice to District, the Trustee will notify the Certificate Owners that their Certificates shall be presented for payment of principal and accrued interest with respect to the Certificates on the date such accelerated Installment Payments are due and payable, and that interest with respect to the Certificates shall cease to accrue on such day. At any time after the principal components of all remaining Installment Payments shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if:

(1) District has paid or caused to be paid or deposited with the Trustee moneys sufficient to pay all matured installments of interest, interest on delinquent installments of principal and interest and principal, or Prepayment Prices then due (other than the principal then due only because of such declaration) under the Installment Sale Agreement;

(2) all compensation and expenses of the Trustee pertaining to such Certificates or to which the Trustee is otherwise entitled under this Trust Indenture have been paid or provided for, including without limitation, provision for any indemnity that the Trustee may require, to the Trustee's satisfaction;

(3) all other amounts then payable by District under the Installment Sale Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and

(4) every Event of Default (other than a default in the payment of the principal of the Installment Payments then due only because of such declaration) shall have been remedied, then the Trustee may annul such declaration and its consequences with respect to any Certificates or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 803. Other Remedies for Events of Default. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal or interest with respect to the Certificates or the Installment Payments or to enforce the performance of any provision of the Certificates, this Trust Indenture, or the Installment Sale Agreement.

All rights of action (including the right to file proof of claims) under this Trust Indenture or any Certificate may be enforced by the Trustee even if it does not possess any of the Certificates or does not produce any of them in the proceeding. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Certificate Owners. Any recovery of judgment shall be for the equal and ratable benefit of the Owners of all Outstanding Certificates, except as otherwise provided by this Trust Indenture.

Section 804. No Delay or Omission Construed to be a Waiver. No delay or omission of the Trustee or of any Owner of Certificates to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein. Every power and remedy given by this Trust Indenture to the Trustee and to the Owners of the Certificates, respectively, may be exercised from time to time and as often as may be deemed expedient. No remedy is exclusive of any other remedy. All available remedies are cumulative.

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Section 805. Notice of Defaults. If an event occurs which, with the giving of notice or lapse of time or both, would be an Event of Default, and if the event is continuing and if it is known to the Trustee, the Trustee shall mail to each Certificate Owner notice of the event within 90 days after the Trustee has notice of it as provided in Section 906 hereof. Except in the case of a default in payment with respect to any Certificates, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Certificate Owners.

Section 806. Control by Majority. The Owners of a majority in principal amount of the Certificates may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it, provided the Trustee may decline to follow such direction if it deems such direction to be not in the best interest of any Owner or to expose it to liability.

Section 807. Limitation on Suits. A Certificate Owner may not pursue any remedy with respect to this Trust Indenture, the Certificates or the Installment Sale Agreement unless:

- (1) the Owner gives the Trustee notice stating that an Event of Default is continuing;
- (2) the Owners of at least 25% in principal amount of the Outstanding Certificates make a written request to the Trustee to pursue the remedy;
- (3) such Owner or Owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense; and
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

A Certificate Owner may not use this Trust Indenture to prejudice the rights of another Certificate Owner or to obtain a preference or priority over the other Certificate Owner.

Section 808. Rights of Owners to Receive Payment. Notwithstanding any other provision of this Trust Indenture, the right of any Owner to receive payment of principal and interest with respect to a Certificate, on or after the due dates expressed in the Certificate, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the Owner.

Section 809. Collection Suit by Trustee. If an Event of Default under Section 801 (1), (2) or (3) hereof occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against District or Corporation for the whole amount remaining unpaid.

Section 810. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Certificate Owners allowed in any judicial proceedings relative to District or Certificate, its creditors or its property. The Trustee, unless prohibited by law or applicable regulations, may vote on behalf of the Owners in any election of a trustee in bankruptcy or other person performing similar functions.

Section 811. Priorities. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

first to the Trustee for amounts to which it is entitled under Section 903;

second to Certificate Owners for amounts due and unpaid with respect to the Certificates for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable with respect to the Certificates for principal and interest, respectively; and

third to District.

The Trustee may fix a payment date for any payment to the Certificate Owners.

ARTICLE IX
TRUSTEE

Section 901. Employment and Duties of the Trustee. The District hereby appoints and employs the Trustee to perform the obligations of the Trustee contained herein, all in the manner provided herein and subject to the conditions and terms hereof.

Section 902. Removal and Resignation of the Trustee. The Trustee may resign by giving 60 days prior written notice to the District and the Certificate Owners at the address shown on the Certificate Register, subject to the conditions set forth below. The Owners of a majority in principal amount of the Outstanding Certificates may (except during the continuance of an Event of Default) remove the Trustee by notifying the Trustee and may appoint a successor Trustee with the consent of the District. The District may remove the Trustee at any time with 30 days prior written notice (except during the continuance of an event of default); provided, the District shall remove the Trustee by notifying the Trustee if (a) the Trustee fails to comply with the penultimate sentence of the first paragraph of this Section 902, (b) the Trustee is adjudged a bankrupt or an insolvent, (c) a receiver or other public officer takes charge of the Trustee or its property or (d) the Trustee otherwise becomes incapable of acting, as determined by the District. The Trustee may be removed at any time for any breach of the trust set forth in this Trust Indenture. Upon any such removal or resignation, the District shall promptly appoint a successor Trustee by an instrument in writing, which successor Trustee shall give notice of such appointment to all Owners as soon as practicable; provided that in the event the District does not appoint a successor Trustee within 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, national banking association or trust company in good standing, doing business and having a corporate trust office in either New York, New York or Los Angeles, California or San Francisco, California, duly authorized to exercise trust powers, having a combined reported capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by state or national authorities. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 902 the combined capital and surplus of such bank, national banking association 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 and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee and the transfer by the retiring Trustee to the successor Trustee of all property held by it hereunder as Trustee.

Section 903. Compensation and Indemnification of the Trustee. The District shall from time to time, 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 expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants, counsels 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, 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 agrees to indemnify and hold harmless the Trustee from and against any and all claims, damages and losses (including legal fees and expenses) arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the works of improvement within the District, (ii) any act of negligence of the District or of any of its agents, contractors, employees, invitees, licensees, officers or supervisors in connection with the works of improvement within the District, or (iii) the payment of any costs or expenses of the acquisition and construction of the works of improvement within the District; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The District also agrees to indemnify the Trustee for, and to hold it harmless against, any losses, liabilities or expenses incurred by the Trustee without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of its duties hereunder, as well as the costs and expenses of enforcing this Trust Indenture against the District and defending itself against any claim (whether asserted by the District or an Owner and whether or not litigation is commenced) or liability in accordance with the exercise or performance in the absence of negligence or willful misconduct of any of its powers or duties hereunder. The failure of the Trustee to notify the District shall not relieve the District of its obligations hereunder. The obligations under this Section 903 shall survive the termination and discharge of this Trust Indenture.

Section 904. Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, Certificate, certificate, consent, notice, request, requisition, Trust Indenture, 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 its counsel 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 the absence of negligence or willful misconduct.

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 certificate of the District, and such certificate shall be full warranty 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 it may deem reasonable.

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 District and may act as agent, depository or trustee for any committee or body of Owners or of Owners of obligations of the District as freely as if it were not the Trustee hereunder.

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The Trustee may act through agents or co-trustees (which co-trustees, if any, shall be approved by the District) and shall not be responsible for the misconduct or negligence of any agent or co-trustee appointed with due care.

The Trustee shall not be liable for any action it takes or omits to take in good faith without negligence which it believes to be authorized or within its rights or powers.

The Trustee makes no representation as to the validity or adequacy of this Trust Indenture or the Certificates or compliance with any federal or state securities laws, shall not be accountable for the District's covenants and representations contained in this Trust Indenture or the recitals made herein which are made by the District solely, and shall not be responsible for any statement in the Certificates other than its certificate of execution of the Certificates. 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.

Section 905. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers 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 such person's own affairs.

(b) Except during the continuance of an Event of Default,

(1) the Trustee shall perform only those duties that are specifically set forth in this Trust Indenture and no others, and no implied covenants or obligations shall be read into this Trust Indenture against the Trustee, and

(2) in the absence of negligence or willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Trust Indenture. However, the Trustee shall examine these certificates and opinions to determine whether such documents conform to the requirements of this Trust Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(1) this paragraph does not limit the effect of paragraph (b) of this Section 905,

(2) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts, and

(3) no provision of this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly provided, every provision of this Trust Indenture that in any way relates to the Trustee is subject to all the foregoing paragraphs of this Section.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it (in its sole opinion) against any loss, liability or expense, but the Trustee shall not require indemnity as a condition to or making payment with respect to the Certificates.

(f) The Trustee shall not be liable for interest on any cash held by it except as provided by Section 905(c) hereof and as the Trustee may otherwise agree with the District.

(g) The permissive right of the Trustee to act hereunder shall not be construed as a duty.

(h) The Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless it shall have actual knowledge at its corporate trust office.

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

(j) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Certificates Outstanding relating to the exercise of any rights, power or remedy available to the Trustee.

(k) The Trustee may become the owner or pledgee of Certificates with the same rights it would have if it were not Trustee.

Section 906. Notice of Defaults. If an event occurs which, with the giving of notice or lapse of time, or both, would be an Event of Default, and if the event is continuing and if it is known to the Trustee, the Trustee shall mail to each Owner notice of the Event of Default within 90 days after it occurs. Except in the case of a payment default, the Trustee may withhold the notice if and so long as a committee of its officers in good faith determines that withholding the notice is in the interest of the Owners.

Section 907. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

ARTICLE X
AMENDMENTS AND SUPPLEMENTS

Section 1001. Without Consent of Certificate Owners. District, Corporation and the Trustee may amend or supplement this Trust Indenture or the Certificates, and District and Corporation may, with the consent of the Trustee, amend the Installment Sale Agreement, without notice to or consent of any Certificate Owner:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in this Trust Indenture or Installment Sale Agreement, respectively;
- (2) to grant to the Trustee for the benefit of the Certificate Owners additional rights, remedies, powers or authority;
- (3) to subject to this Trust Indenture or the Installment Sale Agreement security or to add other agreements of District and Corporation;
- (4) to substitute, or add, capital facilities and/or real property interests to the facilities, as identified, pursuant to Section 7.04 of the Installment Sale Agreement;
- (5) to modify this Trust Indenture, the Installment Sale Agreement or the Certificates to permit qualification under this Trust Indenture Act of 1939, as amended, or any similar Federal statute at the time in effect, or to permit the qualification of the Certificates for sale under the securities laws of any state of the United States;
- (6) to provide for uncertificated Certificates in addition to or in place of the certificated Certificates;
- (7) to evidence the succession of a new Trustee or the appointment by the Trustee, District or Corporation of a co-trustee; or
- (8) to make any change that does not materially or adversely affect the rights of any Certificate Owner.
- (9) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Installment Payments and Certificates.

Section 1002. With Consent of Certificate Owners. If an amendment or supplement to the Trust Indenture, the Installment Sale Agreement or the Certificates without any consent of Certificate Owners is not permitted by the preceding Section 1001, District, Corporation and the Trustee may enter into such amendment or supplement to this Trust Indenture or the Certificates, and District and Corporation, with the Trustee's consent, may enter into such amendment or supplement to the Installment Sale Agreement, with the consent of the Owners of at least a majority in principal amount of the Certificates then Outstanding.

However, without the consent of each Certificate Owner affected, no amendment or supplement may:

- (1) extend the maturity, or date for payment of the principal or interest with respect to any Certificate;

(2) reduce the fractional undivided percentage of the principal amount or Prepayment Price of, or the rate of interest with respect to any Certificate;

(3) effect a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates; or

(4) reduce the percentage of the principal amount of the Certificates required for consent to any amendment or supplement.

Section 1003. Effect of Consents. After an amendment or supplement described in Section 1001 or 1002 hereof becomes effective, it will bind every Certificate Owner unless it makes a change described in any of the numbered clauses of Section 1002. In that case, the amendment or supplement will bind each Certificate Owner who consented to it and each subsequent Owner of a Certificate or portion of a Certificate evidencing the same debt as the consenting Owner's Certificate.

Section 1004. Notation on or Exchange of Certificates. If an amendment or supplement changes the terms of a Certificate, the Trustee may require the Owner to deliver it to the Trustee. The Trustee may place an appropriate notation on the Certificate about the changed terms and return it to the Owner. Alternatively, if the Trustee and District determine, in exchange for the Certificate the Trustee will execute and deliver a new Certificate that reflects the changed terms.

Section 1005. Signing by Trustee of Amendments and Supplements. The Trustee will sign any amendment or supplement to this Trust Indenture or the Certificates and will consent to any amendment or supplement to the Installment Sale Agreement authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign or consent to it, and no such amendment or supplement shall become effective without the consent of the Trustee.

In signing or consenting to an amendment or supplement, the Trustee will be entitled to receive and (subject to Sections 903 and 905 hereof) will be fully protected in relying on an opinion of Special Counsel stating that such amendment or supplement is authorized by this Trust Indenture and complies with the requirements of this Article X.

Section 1006. Notice to Certificate Owners of Trust Indenture Amendments and Supplements. The Trustee will notify each Certificate Owner by first class mail of the execution of each supplement or amendment to this Trust Indenture or the Installment Sale Agreement described in Section 1002 hereof. The notice shall state briefly the nature of such supplement or amendment and that copies of the amendment or supplement are on file with the Trustee for inspection by Certificate Owners.

Section 1007. Notices to Rating Agencies. For so long as any of the Certificates shall be rated by either of the Rating Agencies, and without limitation on any other notice requirement contained in this Trust Indenture, the Trustee shall mail the Rating Agencies which have provided such ratings, a notice of any amendment to this Trust Indenture.

ARTICLE XI
MISCELLANEOUS

Section 1101. Parties Interested Herein. Nothing in this Trust Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person other than the District, the Trustee, the Certificate Owners, any right, remedy or claim under or by reason of this Trust Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee and the Certificate Owners.

Section 1102. Severability. If any covenant, agreement or provisions, or any portion thereof, contained in the Trust Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Trust Indenture and the application of any such covenant, agreement, or provisions, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Trust Indenture and the Certificates issued pursuant hereto shall remain valid and the Certificate Owners shall retain all valid rights and benefits accorded to them under the Trust Indenture and the Constitution and laws of the State.

Section 1103. Notices. All written notices to be given hereunder to any Notice Party shall be given by first-class mail, postage prepaid to the party or parties entitled thereto at the address set forth below, or at such other address as may be provided to the other parties hereinafter listed in writing from time to time, namely:

If to the Trustee:

U. S. Bank National Association
Attn: Global Corporate Trust
633 West Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071
Fax: (213) 615-6199

If to the District:

Moulton Niguel Water District
26161 Gordon Road
Laguna Hills, CA 92653
Attention: General Manager

Section 1104. Notices to Rating Agencies. The Trustee shall give immediate notice to the Rating Agencies in the event:

- (a) the Trustee resigns or is replaced;
- (b) this Trust Indenture is amended or supplemented; or
- (c) there has been a prepayment or defeasance of the Certificates.

Section 1105. No Recourse Against Officers, Etc. No director, officer or employee of District or the Corporation shall be individually or personally liable for the payment of the principal, interest or prepayment premiums, if any, evidenced by the Certificates, but nothing contained herein shall relieve any director, officer or employee of District from the performance of any official duty provided by any applicable provision of law or hereby.

Section 1106. California Law. This Trust Indenture shall be construed and governed in accordance with the laws of the State.

Section 1107. Effective Date. This Trust Indenture shall take effect upon its execution.

Section 1108. Execution in Counterparts. This Trust Indenture 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.

[Remainder of this Page is Blank]

#3.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Indenture as of _____ 1, 2019.

MOULTON NIGUEL WATER DISTRICT

By: _____
General Manager

Attest:

Secretary

MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION

By: _____
Treasurer

Attest:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

- Trust Indenture Signature Page -

Registered Number
R- _____

Registered Amount
\$ _____

EXHIBIT A - FORM OF CERTIFICATE

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF ORANGE**

**MOULTON NIGUEL WATER DISTRICT
2019 CERTIFICATES OF PARTICIPATION**

<u>Interest Rate</u> _____%	<u>Date</u> _____, 2019	<u>Maturity Date</u> September 1, 20__	<u>CUSIP No.</u>
--------------------------------	----------------------------	---	------------------

Registered Owner: CEDE & CO.

Principal Amount: \$ _____

THIS IS TO CERTIFY THAT the registered Owner of this Certificate of Participation ("Certificate"), or registered assigns, is the Owner of a fractional undivided interest in the right to receive certain Installment Payments under that certain Installment Sale Agreement ("Installment Sale Agreement") dated as of _____ 1, 2019, by and between Moulton Niguel Water District Public Facilities Corporation, a California non-profit public benefit corporation (the "Corporation"), and Moulton Niguel Water District, a California water district duly functioning under and by virtue of the California Water District Law, Division 13 of the Water Code of the State of California (the "District").

The registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the above-specified maturity date, the above-specified principal amount, representing a portion of the Installment Payment designated as principal coming due on such date, unless this Certificate is earlier prepaid as provided herein, and to receive on March 1, 2020, and on each September 1 and March 1 thereafter ("Interest Payment Dates"), to the maturity date or the Prepayment Date, whichever is earlier, the registered Owner's undivided, fractional share of the Installment Payments designated as interest coming due on such date. Said undivided, fractional share of the Installment Payments designated as interest is the product of the aforesaid portion of Installment Payment designated as principal multiplied by the interest rate set forth above. Said amounts are payable in lawful money of the United States of America. The amounts representing the principal and Prepayment Price of this Certificate shall be payable at the corporate trust office of U.S. Bank National Association together with any successor as trustee under the hereinafter mentioned Trust Indenture ("Trustee") in St. Paul, Minnesota, and the amounts representing interest with respect to this Certificate shall be payable by check or draft of the Trustee mailed on the Interest Payment Date to the registered Owner at the address

#3.

of the Owner shown on the Certificate Register maintained by the Trustee as of the day fifteen days preceding the Interest Payment Date whether or not such day is a Business Day ("Record Date"). Interest with respect to the Certificates shall be calculated based on a 360-day year of twelve 30-day months. Interest with respect to this Certificate shall be payable from and including the Interest Payment Date next preceding the date of execution of this Certificate unless this Certificate is executed during the period from the close of business on the Record Date to and including an Interest Payment Date, in which event interest with respect hereto shall be payable from and including such Interest Payment Date, or unless this Certificate is executed on or prior to February 15, 2020, in which event interest with respect hereto shall be payable from February 15, 2020; provided, however, that if, at the time of execution of this Certificate, interest is in default or overdue with respect to the Certificates, interest with respect to this Certificate shall be payable from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full. Principal, interest and any premium shall be payable only from the sources provided therefor as described in this Certificate and the Installment Sale Agreement.

This Certificate is one of the Moulton Niguel Water District 2019 Certificates of Participation ("Certificates"), limited to \$_____ in principal amount, executed and delivered under the Trust Indenture dated as of _____ 1, 2019 ("Trust Indenture"), among the District, the Corporation and the Trustee. The terms of the Certificates include those in the Trust Indenture.

The Trust Indenture may be amended and supplemented, and references to it include any amendments and supplements thereto. Subject to certain exceptions, the Trust Indenture, Certificates and the Installment Sale Agreement may be amended or supplemented with the consent of the Owners of a majority in principal amount of the Certificates. Without the consent of any Certificate Owner, the Trustee, the District and Corporation may amend or supplement the Trust Indenture, the Installment Sale Agreement or the Certificates for certain purposes including, but not limited to, substitution of, or addition to, the identified Project, curing any ambiguity, omission, defect or inconsistency or providing for uncertificated Certificates or making any change that does not materially adversely affect the rights of any Certificate Owner.

The Certificates are delivered in the principal sum of \$_____. The District has entered into the Installment Sale Agreement for the purpose of purchasing the Project from the Corporation. The Corporation has assigned its right to receive Installment Payments to the Trustee, pursuant to an assignment agreement between the Corporation and the Trustee and pursuant to the Trust Indenture.

The Installment Payments are payable by District solely from Net Revenues, as that term is defined in the Installment Sale Agreement. The Certificates are payable from the moneys received by the Trustee pursuant to the Installment Sale Agreement and designated for such purpose.

NEITHER THIS CERTIFICATE NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED AS TO PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST WITH RESPECT THERETO, SOLELY BY THE NET REVENUES (AS DEFINED IN THE INSTALLMENT SALE AGREEMENT). NEITHER THIS CERTIFICATE NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS SHALL CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY

POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OR THE DISTRICT.

The Certificates are deliverable as fully registered Certificates in the denomination of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Trust Indenture or Certificates of authorized denomination or denominations, for the same aggregate principal amount and of like maturity will be issued to the transferee in exchange herefor. The Trustee will not be required to transfer or exchange any Certificate (a) during the period beginning 15 days before the selection of Certificates for prepayment and ending on the selection date or (b) if such Certificate has been selected for prepayment in whole or in part.

Owners must surrender Certificates at the corporate trust office of the Trustee in St. Paul, Minnesota to collect principal and prepayment price. Interest will be paid by check mailed by first class mail to each Owner's registered address as shown on the Certificate Register as of the Record Date. Principal, interest and any premium will be paid in money of the United States that at the time of payment is due in legal tender for payment of public and private debts or by check payable in such money. If any payment with respect to the Certificates is due on a non-business day, it will be made on the next business day, and no additional interest will accrue as a result.

Certificates maturing on or before September 1, 20___, shall not be subject to call and prepayment prior to maturity. Certificates maturing on or after September 1, 20___, may be called for prepayment and prepaid before maturity in whole or in part (but not in a total prepayment amount of less than \$5,000) on September 1, 20___ or on any date thereafter as a result of the prepayment of Installment Payments at the option of District (and by lot if only a portion thereof) at par, without premium.

The Certificates maturing on September 1, 20___ and September 1, 20___ are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 20___ and September 1, 20___, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment date, as follows:

\$_____ Certificates Maturing September 1, 20___

<u>Year</u> <u>(September 1)</u>	Principal Amount of Certificates to be <u>Prepaid</u> \$
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#3.

\$ _____ **Certificates Maturing September 1, 20__**

Year (<u>September 1</u>)	Principal Amount of Certificates to be <u>Prepaid</u> \$
--------------------------------	---

In the event that the Trustee prepays the Certificates maturing on September 1, 20__ or September 1, 20__ in part but not in whole pursuant to a prepayment described in Section 401 of the Trust Indenture, the amount of the Certificates to be prepaid on each prepayment date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

All prepayments will be made in St. Paul, Minnesota, on the Prepayment Date at the applicable Prepayment Prices (including any applicable premium as provided in this Trust Indenture) plus interest accrued to the Prepayment Date.

At least twenty (20) days prior to the Prepayment Date, the Trustee will mail a notice of prepayment by first-class mail to each Certificate Owner at the Owner's registered address. Failure to give any notice of prepayment as to any particular Certificates will not affect the validity of the call for prepayment of any Certificates in respect of which no failure occurs. Any notice mailed as provided in this paragraph will be conclusively presumed to have been given whether or not actually received by the addressee.

When notice of prepayment is given, Certificates called for prepayment become due and payable on the Prepayment Date at the Prepayment Price stated in the notice. When a notice of prepayment is given and funds are deposited with the Trustee sufficient for prepayment, interest with respect to the Certificates to be prepaid ceases to accrue on the Prepayment Date.

The registered Owner of this Certificate may be treated as the Owner of it for all purposes.

If money for the payment of principal, premium or interest remains unclaimed as specified in the Trust Indenture, the Trustee will pay the money to or for the account of District. After that, Owners entitled to the money must look only to District and not to the Trustee for payment unless an applicable abandoned property law designates another person.

If at any time there is deposited with the Trustee money or U.S. Government Obligations sufficient to pay at prepayment or maturity principal and interest with respect to any outstanding Certificates, and if all compensation and expenses of the Trustee have been provided for, the obligations of Corporation and District will be discharged to the extent provided for in the Trust Indenture. After discharge, Certificate Owners must look only to the deposited money and securities for payment. U.S. Government Obligations are securities backed by the full faith and credit of the United States or, to the extent permitted by law, securities or receipts evidencing ownership interests in such full-faith-and-credit securities.

The Trust Indenture provides that the occurrences of certain events constitute Events of Default. The maturity of all of the Installment Payments to be made with respect to the Certificates may be accelerated as provided in the Trust Indenture. An Event of Default and its consequences may be waived or limited as provided in the Trust Indenture. Certificate Owners may not enforce the Trust Indenture or the Certificates except as provided in the Trust Indenture. The Trustee may refuse to enforce the Trust Indenture or the Certificates unless it receives indemnity satisfactory to it. Subject to certain limitations, Owners of a majority in principal amount of the Certificates may direct the Trustee in its exercise of any trust or power.

A member, director, officer or employee, as such, of District or Corporation shall not have any liability for any obligations of District or Corporation under the Certificates, the Installment Payment Agreement or the Trust Indenture or for any claim based on such obligations or their creation. Each Certificate Owner by accepting a Certificate waives and releases all such liability. The waiver and release are part of the consideration for the execution and delivery of the Certificates.

The Trustee has executed this Certificate solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the execution of this Certificate do exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California, and that the amount of the Installment Sale Agreement, together with all other indebtedness of Moulton Niguel Water District, does not exceed any limit prescribed by the Constitution and laws of the State of California, and is not in excess of the amount of Certificates permitted to be executed under this Trust Indenture.

[Remainder of this page blank]

#3.

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

Date of Execution: _____

U.S. BANK NATIONAL ASSOCIATION
as Trustee:

By: _____
Authorized Signatory

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Certificates referred to in the within-mentioned Trust Indenture.

Date of Registration and Authentication: _____

U.S. Bank National Association, Trustee

Authorized Representative

#3.

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto

(print/type name, address, zip code, tax identification or Social Security number of assignee)

the within Certificate and do(es) irrevocably constitute and appoint _____ attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Registered Owner Date: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Certificate in every particular, without alteration or any change whatever.

Signature Guaranteed:

Notice: Signature must be guaranteed by an eligible guarantor institution.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Certificate issued is registered in the name of Cede & Co., or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the Registered Owner hereof, Cede & Co., has an interest herein.

LEGAL OPINION

I hereby certify that the following is a full true and correct copy of a signed legal opinion of Jones Hall, A Professional Law Corporation, on file in my office, which opinion is dated the date the Certificates referred to therein were delivered and paid for.

Secretary of the Moulton Niguel Water
District and the Board of Directors

EXHIBIT B

PAYMENT REQUEST FORM - DELIVERY COSTS FUND

[Attach copy of Payee's statement(s) or invoice(s)]

() PROGRESS PAYMENT
() FULL/FINAL PAYMENT

The Trustee is hereby requested to pay from the Delivery Costs Fund, as established by Resolution No. _____ of the District, adopted on October ____, 2019, and the Trust Indenture dated as of _____ 1, 2019, executed in accordance therewith, to the person, corporation, or other entity designated below as Payee, the sum set forth below such designation, in payment or reimbursement of the Delivery Costs described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Delivery Costs described below and has not formed the basis of any prior request for payment.

Payee: _____

Address: _____

Amount:\$ _____

Description of Delivery Cost or portion thereof accepted by the Moulton Niguel Water District and authorized to be paid to the Payee:

Delivery Cost: _____

Executed by Authorized Representative for Moulton Niguel Water District:

Signature _____
Name: _____
Title: _____

Dated: _____

Payment Request No.: _____

EXHIBIT B

FORM OF PROJECT FUND REQUISITION

U. S. Bank National Association
Attn: Global Corporate Trust
633 West Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071

Re: Requisition No. ____ in Connection with \$_____ Moulton Niguel Water District 2019 Certificates of Participation

Ladies and Gentlemen:

In accordance with the terms of a Trust Indenture, by and among you, the Moulton Niguel Water District and the Moulton Niguel Water District Public Facilities Corporation, dated as of _____ 1, 2019 (the "Trust Indenture"), I am a District Representative and you are hereby authorized and requested to make immediate disbursement of funds held by you in the Project Fund for Project Costs relating to the Project (as such terms are defined in the Trust Indenture) pursuant to Section 503 of the Trust Indenture. In connection therewith, this requisition:

You are hereby requested to pay from the Project Fund to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the costs described on said Schedule. **Invoices substantiating any amounts requested herein are attached.**

The undersigned hereby certifies that: (i) the amounts listed on Schedule A constitute Project Costs (as defined in the Trust Indenture); (ii) the amounts to be disbursed constitute Project Costs; (iii) the amounts to be disbursed are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the District, or were necessarily and reasonably incurred; (iv) the amounts are not being paid in advance of the time, if any, fixed for payment; and (v) no amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the Trustee pursuant to Section 503 of the Trust Indenture.

Dated: _____, 20____.

MOULTON NIGUEL WATER DISTRICT

By: _____
District Representative

#3.

SCHEDULE A

Payee
(include address)

Description
of Costs

Project Costs
Amount

SCHEDULE B

[Invoices Attached.]

ASSIGNMENT AGREEMENT

§ _____ Moulton Niguel Water District 2019 Certificates of Participation

THIS ASSIGNMENT AGREEMENT, dated as of _____ 1, 2019, by and between MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION, a corporation organized under the laws of the State of California (“**Corporation**”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee (“**Trustee**”) under the Trust Indenture (defined below).

In consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

RECITALS

A. Corporation and Moulton Niguel Water District (“**District**”) have entered into an Installment Sale Agreement dated as of _____ 1, 2019 (“**Installment Sale Agreement**”), pursuant to which Corporation has agreed to acquire certain facilities, consisting of replacements and upgrades to the District’s reservoir management system and pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District’s most recently adopted Capital Improvement Program, as more particularly described in Exhibit A to the Installment Sale Agreement (herein described) (“**Project**”), and sell the Project to District on an installment sale basis.

B. Under the Installment Sale Agreement, Corporation is required to pay or cause to be paid to District, moneys to be deposited, held and applied in accordance with the Trust Indenture, dated as of _____ 1, 2019 (“**Trust Indenture**”), by and among District, Corporation and Trustee.

C. Upon execution of the Installment Sale Agreement and the deposit of moneys by Corporation with respect thereto, District is obligated to pay Installment Payments to Corporation. Corporation is willing to assign and transfer substantially all of its rights under the Installment Sale Agreement to the Trustee for the benefit of the Owners of the District’s 2019 Certificates of Participation in the principal amount of \$_____ (“**Certificates**”) pursuant to the terms of the Trust Indenture, and in consideration of such assignment, the Trustee shall execute and deliver the Certificates.

D. Each of the parties has authority to enter into this Assignment Agreement and has taken all actions to authorize its officers to enter into it.

AGREEMENT**SECTION 1. Definitions.**

The terms capitalized in this Assignment Agreement, but not defined herein, shall have the meanings given to them in the Installment Sale Agreement and the Trust Indenture, as applicable.

SECTION 2. Assignment.

Corporation, for the proceeds of the delivery and sale of the Certificates to the Certificate Owners and other good and valuable consideration in hand received, does hereby sell, assign and transfer to the Trustee, for the benefit of the Certificate Owners, all of its right, title and interest in the Installment Sale Agreement, including its right to receive Installment Payments and Trustee Amounts from District under the Installment Sale Agreement and its right to enforce payment of such Installment Payments and Trustee Amounts when due or otherwise protect its interests and enforce its rights under the Installment Sale Agreement in the event of default by District, except the right of Corporation to indemnification thereunder. The Installment Payments and the rights so assigned shall be applied and exercised as provided in the Trust Indenture.

SECTION 3. Acceptance.

The Trustee hereby accepts such assignment for the purpose of securing such payments and rights to the Certificate Owners, subject to the provisions of the Trust Indenture.

SECTION 4. Limitations.

This Assignment Agreement shall not confer any rights or impose any duties upon the Trustee beyond those expressly provided in the Installment Sale Agreement or the Trust Indenture. The Trustee is not responsible for any duties, representations, warranties or covenants of Corporation or the accuracy of the recitals herein.

SECTION 5. No Other Claims.

The Corporation hereby represents and warrants that there are no present and outstanding claims on Installment Payments or any other moneys assigned by the Corporation to the Trustee hereunder.

SECTION 6. Execution in Counterparts.

This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and which together shall constitute but one and the same instrument.

SECTION 7. Definitions.

Unless the context other requires, capitalized terms used herein shall have the meanings specified in the Trust Indenture.

SECTION 8. Amendment.

This Assignment Agreement may be amended by written agreement between the Corporation and the Trustee.

SECTION 9. Applicable Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Assignment Agreement as of the date first hereinabove written.

MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION

By: _____
Treasurer

Attest:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

