

**RESOLUTION NO. 2017 - 5**

**RESOLUTION OF THE MARIN PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS IN AN INITIAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$42,000,000 IN CONNECTION WITH FINANCING CERTAIN WASTEWATER SYSTEM AND OTHER CAPITAL IMPROVEMENTS, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT AND CERTAIN OTHER DOCUMENTS, AUTHORIZING THE NEGOTIATION FOR THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT, AND AUTHORIZING OTHER RELATED ACTIONS**

**WHEREAS**, the Las Gallinas Valley Sanitary District (the “District”) and Sausalito-Marin City Sanitary District have entered into a Joint Exercise of Powers Agreement establishing the Marin Public Financing Authority (the “Authority”) for the purpose, among others, of issuing its revenue bonds to finance the acquisition, construction and improvement of certain public capital improvements in the District; and

**WHEREAS**, for the purpose of raising funds necessary to finance certain improvements to the District’s wastewater system, including but not limited to treatment facilities, administrative facilities, and other capital projects the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), to be designated as the Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds (the “Bonds”); and

**WHEREAS**, the proceeds of the Bonds will be used to finance certain public capital improvements to the District’s wastewater system, including but not limited to treatment facilities, administrative facilities, and other capital projects (the “Improvements”); and

**WHEREAS**, pursuant to an Installment Sale Agreement by and between the District and the Authority (the “Installment Sale Agreement”), the District will make installment payments to the Authority as the purchase price for the Improvements, and the Authority will use the installment payments made by the District to the Authority pursuant to the Installment Sale Agreement to pay debt service on the Bonds; and

**WHEREAS**, the Authority desires to prepare and make available to potential investors an official statement relating to the Bonds containing information to be used in connection with the sale of Bonds; and

**WHEREAS**, the Board of Directors (the “Board”) of the Authority has duly considered these transactions and wishes at this time to approve these transactions and make certain findings regarding significant public benefits to the Authority’s members with respect to these transactions;

**NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY, AS FOLLOWS:**



Section 1. Findings and Determinations. Pursuant to the Act, the Board hereby finds and determines that the issuance of the Bonds and the transactions related thereto will result in significant public benefits to its members within the contemplation of Section 6586 of the Act.

Section 2. Issuance of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the Bonds pursuant to an Indenture of Trust (the "Indenture") by and between the Authority and the trustee selected by the District. The Board hereby approves the Indenture in the form on file with the Secretary, together with such additions thereto and changes therein as the President, Vice President, Treasurer or Secretary (each, a "Designated Officer") deems necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone or in combination, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the performance by the Authority of its obligations under the Indenture.

Section 3. Maximum Bond Parameters. The Board hereby approves the issuance of the Bonds; provided that the principal amount of Bonds may not exceed \$42,000,000, the maximum true interest cost of the Bonds may not exceed 4.50% per annum, and the final maturity of the Bonds may not exceed 30 years after the date of issuance.

Section 4. Approval of Installment Sale Agreement. The Board hereby approves the form of the Installment Sale Agreement by and between the Authority and the District on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone or in combination, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Installment Sale Agreement for and in the name of and on behalf of the Authority. The Authority hereby authorizes the performance by the Authority of its obligations under the Installment Sale Agreement.

Section 5. Sale of Bonds. The Authority hereby authorizes and directs the Executive Director of the Authority to sell the Bonds pursuant to a competitive sale, the terms of which shall be as described in a Notice of Sale, the form of which has been presented to this Board. The Authority hereby approves the form of the Notice of Sale on file with the Secretary, with such additions thereto and changes therein as Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions or changes; provided that no such addition or change may increase the aggregate principal amount of Bonds or the maximum true interest cost of the Bonds in excess of the parameters set forth in Section 3 above. The Designated Officers, each acting alone or in combination, are hereby authorized and directed to finalize and cause the distribution of the Notice of Sale and to take all actions necessary to fulfill the Authority's obligations thereunder. The Authority hereby authorizes the performance by the Authority of its obligations under the Notice of Sale. If upon the advice of the District's financial advisor, Bartle Wells Associates, a Designated Officer

determines that a competitive sale of the Bonds is not desirable under the circumstances, then the Authority authorizes and directs the Designated Officers to sell the Bonds pursuant to a negotiated sale and to enter into a bond purchase agreement; provided that the underwriter's discount (exclusive of any original issue discount) may not exceed 1.00%.

Section 6. Official Statement. The Board hereby approves the form of Official Statement relating to the Bonds (the "Official Statement") on file with the Secretary, together with such changes or additions thereto as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and authorizes the Designated Officers, each acting alone or in combination, to deem a preliminary form of the Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, except for omissions permitted therein. The Board hereby approves the distribution of the preliminary form of Official Statement by the underwriters to potential Bond investors. The Designated Officers, each acting alone or in combination, are hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and the execution of the final Official Statement by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the final Official Statement.

Section 7. Official Actions. The Designated Officers and any and all other officers of the Authority, each acting alone or in combination, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein.

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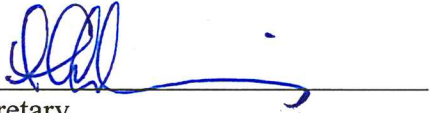
I hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly passed and adopted by the Board of Directors of the Marin Public Financing Authority at a meeting thereof duly held on the 23rd day of March 2017, by the following vote:

AYES, and in favor thereof, Directors: Williams, Kingston, Lei, McGuire

NOES, Directors: None

ABSENT, Directors: None

ABSTAIN, Directors: None

<p>APPROVED:</p>  <p>_____ President</p>	<p>ATTEST:</p>  <p>_____ Secretary</p>
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**INDENTURE OF TRUST**

**Dated as of April 1, 2017**

**By and Between**

**MARIN PUBLIC FINANCING AUTHORITY**

**and**

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

**Relating to**

**[\$41,670,000]  
Marin Public Financing Authority  
(Las Gallinas Valley Sanitary District)  
2017 Revenue Bonds**

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## INDENTURE OF TRUST

This INDENTURE OF TRUST (this “Indenture”), dated for convenience as of April 1, 2017, is by and between the MARIN PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

### WHEREAS CLAUSES:

1. Las Gallinas Valley Sanitary District (the “District”) presently operates facilities and property for the collection and conveyance of wastewater within its service area (the “Wastewater Enterprise”).
2. The Authority has been formed for the purpose, among others, of issuing its revenue bonds to finance the acquisition, construction and improvement of certain public capital improvements in and for the benefit of the District.
3. The Authority and the District desire to raise funds necessary to finance certain improvements to the Wastewater Enterprise.
4. In order to obtain funds for this purpose, the Authority has authorized the issuance of its Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds (the “Bonds”), in the aggregate principal amount of \$[41,670,000], under this Indenture and under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”).
5. The Bonds will be payable from Installment Payments made under an Installment Sale Agreement dated as of April 1, 2017 (the “Installment Sale Agreement”) by and between the Authority, as seller, and the District, as purchaser.
6. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.
7. The Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

## AGREEMENT:

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of [the Insurer and] the respective Owners from time to time of the Bonds, as follows:

### ARTICLE I

#### DEFINITIONS; RULES OF CONSTRUCTION

**Section 1.01. Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms set forth in this Indenture shall have the meanings assigned to them in this Section 1.01.

“Additional Payments” means the amounts payable by the District under Section 4.7 of the Installment Sale Agreement.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the District, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater Enterprise which has been adopted prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the District, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of an Independent Accountant or Fiscal Consultant employed by the District.

“Annual Debt Service” means, as of the date of any calculation and with respect to the Installment Payments or any Parity Obligations, as the case may be, the sum obtained for the

current or any future Bond Year during the Term of the Installment Sale Agreement by totaling the following amounts for such Bond Year:

(a) the aggregate amount of the Installment Payments coming due and payable in such Bond Year pursuant hereto, except to the extent payable from any security deposit pursuant to Section 7.1 of the Installment Sale Agreement; and

(b) the principal amount of all outstanding Parity Obligations, if any, coming due and payable by their terms in such Bond Year.

“Authority” means the Marin Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California and that certain Joint Exercise of Powers Agreement, dated as of January 24, 2017, by and between the District and the Sausalito-Marin City Sanitary District, together with any amendments thereof and supplements thereto.

“Authorized Representative” means:

(a) with respect to the Authority, its President, Vice President, Treasurer, Secretary, any other member of the Board, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority filed with the District and the Trustee; and

(b) with respect to the District, its President of the Board, Vice President of the Board, any other member of the Board, the General Manager of the District, or any other person designated as an Authorized Representative of the District by a Written Certificate of the District filed with the Authority and the Trustee.

“Bank of Marin Loans” means the District’s loans from the Bank of Marin, dated June 10, 2011 and July 27, 2012, outstanding as of April 1, 2017 in the principal amounts of \$3,623,634 and \$1,165,890, respectively.

“Bond Counsel” means (a) Hawkins Delafield & Wood LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the issuance of obligations-the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means the provisions of Article 4 of Chapter 5, Division 7, Title 41 of the Government Code of the State of California, commencing with Section 6584, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bonds” means the Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds, in the original principal amount of \$[41,670,000].



“Bond Year” means each twelve-month period extending from April 2 in one calendar year to April 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year with respect to the Bonds commences on the Closing Date and extends to and including April 1, 2018.

“Business Day” means any day (i) other than a Saturday or a Sunday or (ii) any other day on which commercial banks located in the city in which the Office of the Trustee is located are authorized or required by law to close.

“Closing Date” means April 28, 2017, the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, and the Trustee’s counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; bond insurance and surety bond premiums, if any; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Defeasance Obligations” means the following:

- (a) Cash;
- (b) Federal Securities;
- (c) evidences of ownership of proportionate interests in future interest and principal payments on Federal Securities held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Federal Securities are not available to any person claiming through the custodian or to whom the custodian may be obligated;
- (d) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively; or
- (e) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.05.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, and its successors and assigns.

“Event of Default” means any of the events specified in Section 7.01.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

“Existing Parity Obligations” means the Bank of Marin Loans, the Municipal Finance Corporation Loan, and the SRF Loan.

“Federal Securities” means: (a) any non-callable 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), for which the full faith and credit of the United States of America are pledged; and (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully, unconditionally and directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom: (a) is judged by the District to have experience in matters relating to the financing of wastewater system enterprises; (b) is in fact independent and not under domination of the District; (c) does not have any substantial interest, direct or indirect, with the District other than as purchaser of the Bonds or any Parity Obligations; and (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Fitch” means Fitch Ratings and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the District.

“Governmental Agency” means the State of California, and the United States of America, acting through any of its agencies, to the extent that the State of California or such agency has loaned money to the District for the Wastewater Enterprise.

“Governmental Loan” means any loan made by a Governmental Agency to the District that is secured by a pledge of Net Revenues and incurred by the District to finance improvements to the Wastewater Enterprise pursuant to Section 5.9 of the Installment Sale Agreement.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Wastewater Enterprise or otherwise arising from the Wastewater Enterprise, including but not limited to:

(a) all amounts levied by the District as a fee for connecting to the Wastewater Enterprise, as such fee is established for time to time under the applicable laws of the State of California,

(b) all income, rents, rates, fees, capital improvement fees, charges and other moneys derived from the services and facilities furnished or supplied through the facilities of the Wastewater Enterprise,

(c) ad valorem property taxes allocated to the District (but as provided below, not including ad valorem property taxes levied to pay any general obligation bond indebtedness of the District with respect to the Wastewater Enterprise),

(d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater Enterprise,

(e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater Enterprise as permitted hereunder, and

(f) amounts transferred into the Wastewater Enterprise Fund from a Rate Stabilization Fund.

However, the term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any ad valorem property taxes levied to pay any general obligation bond indebtedness of the District with respect to the Wastewater Enterprise, (iii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District, and (iv) amounts transferred from the Wastewater Enterprise Fund into the Rate Stabilization Fund during a fiscal year, but only to the extent that any amounts transferred from the Wastewater Enterprise Fund into the Rate Stabilization Fund were included in Gross Revenues for that fiscal year.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the District, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the District; (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and (c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

“Installment Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding that Interest Payment Date.

“Installment Payments” means all payments required to be paid by the District on any date under Section 4.4 of the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 of the Installment Sale Agreement, but does not include Additional Payments.

“Installment Sale Agreement” means the Installment Sale Agreement dated as of April 1, 2017, between the District and the Authority, together with any duly authorized and executed amendments thereto.

[“Insurance Policy” means the insurance policy issued by the Insurer with respect to the Bonds guaranteeing the scheduled payment of principal of and interest on the Bonds when due.]

[“Insurer” means \_\_\_\_\_, or any successor thereto or assignee thereof.]

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Interest Payment Dates” means each April 1 and October 1, commencing October 1, 2017, so long as any Bonds remain unpaid.

“Maximum Annual Debt Service” means, as of the date of any calculation and with respect to the Installment Payments or any Parity Obligations, as the case may be, the maximum sum obtained for the current or any future Bond Year during the Term of the Installment Sale Agreement by totaling the following amounts for such Bond Year:

- (a) the aggregate amount of the Installment Payments coming due and payable in such Bond Year pursuant hereto, except to the extent payable from any security deposit pursuant to Section 7.1 of the Installment Sale Agreement;
- (b) the principal amount of all outstanding Parity Obligations, if any, coming due and payable by their terms in such Bond Year;
- (c) the amount of interest which would be due during such Bond Year on the aggregate principal amount of all outstanding Parity Obligations, if any, which would be outstanding in such Bond Year if such Parity Obligations are retired as scheduled; and
- (d) loan payments to be made to a Governmental Agency under a Governmental Loan, if any, coming due and payable by its terms in such Bond Year.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs 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 Authority or the District.

“Municipal Finance Corporation Loan” means the District’s loan from Municipal Finance Corporation, dated as of April 1, 2014, currently outstanding in the aggregate principal amount of \$5,503,800.



“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.05(a).

“Office” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Wastewater Enterprise, including but not limited to

- (a) costs of utilities, including the costs of electricity and other forms of energy supplied to the Wastewater Enterprise,
- (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order, and
- (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Wastewater Enterprise;

but in all cases excluding

- (i) debt service payable on obligations incurred by the District with respect to the Wastewater Enterprise, including but not limited to the Installment Payments and any Parity Obligations,
- (ii) depreciation, replacement and obsolescence charges or reserves therefor,
- (iii) capital expenditures (other than as set forth in paragraph (b) above),
- (iv) amortization of intangibles or other bookkeeping entries of a similar nature, and
- (v) accounting adjustments related to pension expense and other post-employment benefit plans.

“Original Purchaser” means \_\_\_\_\_, the original purchaser of the Bonds at the competitive sale thereof.

“Outstanding,” when used as of any particular time with reference to Bonds, means, subject to the last paragraph of Section 10.02 of this Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority has been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee under this Indenture.

“Overdue Rate” means the highest rate of interest on any of the Outstanding Bonds.

“Owner,” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Obligations” means the following:

(a) the District’s obligation to pay debt service on the Existing Parity Obligations,

(b) any bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with Section 5.8 of the Installment Sale Agreement, and

(c) any Governmental Loan that is treated as a Parity Obligation under Section 5.9 of the Installment Sale Agreement.

“Parity Obligations Documents” means, collectively, the indenture of trust, trust agreement, installment sale agreement, or other document authorizing the issuance of any Parity Obligations or any securities which evidence Parity Obligations.

“Permitted Investments” means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment directions from the District as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime

Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;

(c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody's issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), unsecured certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, demand deposits, including interest bearing money market accounts, trust deposits, trust accounts, time deposits, overnight bank deposits, interest-bearing deposits, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;

(f) investments in a money market mutual fund rated, at the time of purchase, AAAM or AAAM-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services for a fee, including serving as administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(g) Repurchase and reverse repurchase agreements collateralized with Federal Securities, including those of the Trustee or any of its affiliates;

(h) any pre-refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, at the time of purchase, based on the refunding escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant, to pay principal of and interest and redemption

premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) investment agreements, with notice to each rating agency then rating the Bonds;

(j) the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, provided, however, that with respect to amounts held by the Trustee hereunder, the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture; and

(k) any other investment permitted under Section 53601 of the California Government Code.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Project Costs” means, with respect to the Wastewater Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Wastewater Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Wastewater Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Wastewater Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Wastewater Project;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Wastewater Project;

(f) all financing costs incurred in connection with the acquisition, construction and installation of the Wastewater Project; and



(g) the interest components of the Installment Payments allocable to the Wastewater Project that come due during the period of acquisition, construction and installation of the Wastewater Project.

“Project Fund” means the fund by that name established and held by the [District] under Section 3.04.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit, financial guaranty insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 5.05(b), provided that all the following requirements are met:

(a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least “A” from S&P or “A” from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least “A” from S&P, or “A” from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company;

(b) such letter of credit, financial guaranty insurance policy or surety bond has a term of at least 12 months;

(c) such letter of credit, financial guaranty insurance policy or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 5.05(b); and

(d) the Trustee is authorized pursuant to the terms of such letter of credit, financial guaranty insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 5.03 or 5.04.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Registration Books” means the records maintained by the Trustee under Section 2.06 for the registration and transfer of ownership of the Bonds.

“Reserve Account” means the account by that name established and held by the Trustee in the Bond Fund established under Section 5.02.

[“Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer for deposit into the Reserve Account.]

“Reserve Requirement” means, subject to the second paragraph of Section 5.05(b), as of the date of calculation by the Authority or District, the least of

(i) Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Government Loans and Parity Obligations),

(ii) 10% of the total of the proceeds of the Bonds (excluding from the calculation thereof Government Loans and Parity Obligations), and

(iii) 125% of average Annual Debt Service on the Bonds (excluding from the calculation thereof Government Loans and Parity Obligations).

“Revenues” means:

(a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source, but excluding any Additional Payments), prepayments, insurance proceeds, condemnation proceeds, and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture.

“S&P” means Standard & Poor’s, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs 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 Authority or the District.

“Securities Depositories” means The Depository Trust Company: and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses or such other securities depositories as the Authority designates in written notice filed with the Trustee.

“SRF Loan” means the District’s loan from the State of California (State Water Resources Control Board) dated May 25, 2010, as amended on November 15, 2010, [as of April 1, 2017] outstanding in the principal amount of \$3,669,387.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

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

“Term” means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means the Bonds maturing on April 1, 20\_\_.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“Wastewater Enterprise” means the wastewater system of the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection and conveyance of wastewater from residents served thereby, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District.

“Wastewater Enterprise Fund” means the fund or funds established and held by the District with respect to the Wastewater Enterprise for the receipt and deposit of Gross Revenues.

“Wastewater Project” means the facilities, improvements and other property described more fully in Appendix B attached to the Installment Sale Agreement, as that Appendix may be amended from time to time in accordance with the Installment Sale Agreement.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**Section 1.02. Authorization.** Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

**Section 1.03. Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,”

thereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### THE BONDS

**Section 2.01. Authorization of Bonds.** The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$[41,670,000] under the Bond Law for the purposes of providing funds to enable the District to acquire and construct the Wastewater Project. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the “Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds.”

#### **Section 2.02. Terms of the Bonds.**

Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall mature on April 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (April 1)	Principal Amount	Interest Rate
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		



2034  
2035  
2036  
2037  
2038  
2039  
2040  
2041  
2042

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(T) Term Bond.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check upon presentation and surrender thereof at the Office of the Trustee.

**Section 2.03. Form and Execution of Bonds.** The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

An Authorized Representative of the Authority shall execute, and the Secretary of the Authority shall attest, each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix A, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**Section 2.04. Transfer and Exchange of Bonds.**

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds is surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

**Section 2.05. Book-Entry System.**

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, neither the Authority nor the Trustee has any responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever.

The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid.

No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any, under this Indenture.

Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes: and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way

impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners.

Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued.

The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c).

If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will authenticate, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

**Section 2.06. Registration Books.** The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection

during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

**Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority.

If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith.

Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

### ARTICLE III

#### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

**Section 3.01. Issuance of the Bonds.** At any time after the execution of this Indenture, the Authority may execute and the Trustee shall, upon the Written Request of the Authority, authenticate and deliver the Bonds to the Original Purchaser.

**Section 3.02. Application of Proceeds of Sale of the Bonds.** Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall receive the net proceeds of sale thereof, being \$\_\_\_\_\_ (which amount includes \$\_\_\_\_\_ received by the Trustee from \_\_\_\_\_, the purchaser of the Bonds, as a good faith deposit), calculated as follows:

- \$\_\_\_\_\_ (constituting the par amount of the Bonds),

- plus a net original issue premium in the amount of \$[41,670,000],
- less an underwriter's discount in the amount of \$\_\_\_\_\_.

which the Trustee shall apply as follows:

- (a) The Trustee shall deposit \$\_\_\_\_\_ into the Costs of Issuance Fund.
- (b) [The Trustee shall wire \$\_\_\_\_\_ to the District for deposit into the Project Fund to be held by the District.]
- (c) [The Trustee shall wire the amount of \$\_\_\_\_\_ to the Insurer in payment of the Reserve Policy premium.]

The Trustee may establish and maintain a temporary account or fund to facilitate and record such deposits and transfers.

**Section 3.03. Establishment and Application of Costs of Issuance Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. The Trustee may conclusively rely on the representations and certifications set forth in such Written Requisitions and shall be fully protected in relying thereon.

On June 1, 2017, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account, and shall thereupon close the Costs of Issuance Fund.

**Section 3.04. Project Fund.** [The District shall establish and maintain a separate fund to be known as the "Project Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds pursuant to Section 3.02(b). Except as otherwise provided herein, moneys in the Project Fund will be used solely for the payment of the Project Costs. The District shall determine if amounts charged against the Project Fund are proper charges against such fund, and the District shall maintain a record of disbursed amounts from the Project Fund, including the person to whom payment was made, the amount paid, and the purpose for which the obligation was incurred.

**Section 3.05.** Upon the completion of the Wastewater Project, as evidenced by the filing by the District with the Trustee of a Written Certificate under Section 3.5 of the Installment Sale Agreement stating that the Wastewater Project has been completed, the District shall deposit in the Interest Account held by the Trustee all amounts remaining on deposit in the Project Fund, and the District shall thereupon close the Project Fund.]

**Section 3.06. Validity of Bonds.** The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

#### **Section 4.01. Terms of Redemption.**

(a) (i) Optional Redemption from any Source of Available Funds. The Bonds maturing on or before April 1, 2027 are not subject to optional redemption prior to their respective stated maturity dates.

The Bonds maturing on or after April 1, 2028, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 2027, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Authority must give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

[(ii) Special Optional Redemption. Up to \$4,300,000 in principal amount of the Bonds are subject to optional redemption in whole, or in part at the Written Request of the Authority, among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date before [October 31, 2018], from any available source of funds, at a redemption price equal to 102.5% the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption. The District will determine amounts to be redeemed among maturities such that debt service on the Bonds remains approximately level.]

(b) Mandatory Sinking Fund Redemption. The Term Bonds are also subject to redemption, by lot, on April 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to Section 5.02(b), at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may be purchased pursuant to the succeeding paragraph of this subsection (b), in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future payments pursuant to this subsection (b) with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

Term Bond Maturing April 1, 20\_\_

Sinking Fund  
Redemption Date  
(April 1)

Principal  
Amount To Be  
Redeemed

In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, amounts on deposit in the Bond Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account pursuant to Section 5.02 during the current Bond Year) may also be used and withdrawn by the Authority, upon the Written Request of the Authority delivered to the Trustee, at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any 12-month period ending on April 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding April 1.

**Section 4.02. Selection of Bonds for Redemption.** Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity of the same issue, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

**Section 4.03. Notice of Redemption.** The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and the Securities Depositories. The Trustee shall electronically file a copy of each notice of redemption with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system, or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange Commission, or any other such services the Authority may designate in writing to the Trustee.

Each notice of redemption shall state:

- (i) the date of the notice,
- (ii) the redemption date,
- (iii) the place or places of redemption,



(iv) whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed,

(v) the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and

(vi) in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Each notice relating to a redemption pursuant to Section 4.01(a) may be conditional, and shall further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

**Section 4.04. Rescission of Redemption.** The Authority shall have the right to rescind any redemption pursuant to Section 4.01(a) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

**Section 4.05. Execution of New Bonds Upon Partial Redemption of Bonds.** Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

**Section 4.06. Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Security for the Bonds; Bond Fund.

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture.

This pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. The Authority hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority's rights under Sections 4.7, 5.2 and 6.4 thereof and the Authority's rights to give approvals and consents thereunder), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments, and the Trustee hereby accepts such assignment.

The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

The Trustee is also entitled to, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the Installment Sale Agreement.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such fund.

All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article X, (ii) any applicable fees and expenses of the Trustee, and [(iii) any amounts due to the Insurer,] shall be withdrawn by the Trustee and remitted to the District.

**Section 5.02. Allocation of Revenues.** On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee shall deposit into the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) Deposit to Principal Account. The Trustee shall deposit into the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on each April 1, including the aggregate principal amount of the Term Bonds (if any) which are subject to mandatory sinking fund redemption on such April 1 under Section 4.01(b).

(c) Deposit to Reserve Account. The Trustee shall deposit into the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement, [including without limitation amounts required to reimburse the Insurer for any amounts drawn under the Reserve Policy].

**Section 5.03. Application of Interest Account.** All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

**Section 5.04. Application of Principal Account.** All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds on their respective maturity dates, including the aggregate principal amount of the Term Bonds (if any) which are subject to mandatory sinking fund redemption on such April 1 under Section 4.01(b).

**Section 5.05. Application of Reserve Account.**

(a) Application of Reserve Account. All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying principal of or interest on the Bonds, including the principal amount of any Term Bonds subject to mandatory sinking fund redemption under Section 4.01(b), when due and payable to the extent that moneys deposited in the Interest Account or Principal Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds.

If the amounts on deposit in the Reserve Account are insufficient at any time to pay the full amount of principal of and interest on the Bonds then required to be paid from the Reserve Account, the Trustee shall apply such amounts first, to the payment of interest and second, to the payment of principal. On the date on which all Bonds are retired hereunder or provision is made therefor under Article X. after payment of any amounts then owed to the Trustee [and the Insurer], all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the District as a refund of overpaid Installment Payments.

If, on any date, moneys on deposit in the Reserve Account, together with amounts then on deposit in the Bond Fund, are sufficient to pay all Outstanding Bonds, including all principal thereof, and interest thereon, the Trustee shall, at the Written Request of the Authority, transfer all amounts then on deposit in the Reserve Account, together with such amounts in the Bond Fund, to the Redemption Fund to be applied to the redemption of the Bonds in accordance with the provisions of Section 4.01(a). The Trustee shall be entitled to conclusively rely on any such Written Request and shall be fully protected in relying thereon. On each April 1, the Trustee shall transfer any amounts on deposit in the Reserve Account in excess of the Reserve Requirement, including amounts derived from the investment of moneys in the Reserve Account, to the Bond Fund.

(b) Qualified Reserve Account Credit Instrument. [The Authority shall deposit the Reserve Policy in the Reserve Account on the Closing Date in satisfaction of the Reserve Requirement for the Bonds. Section 11.16 provides for provisions governing the Reserve Policy.]

The Authority shall have the right at any time to release any cash (including Permitted Investments) on deposit from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the interest on the Bonds to become includable in gross income for purposes of federal income taxation, and [(3) the receipt of the prior written consent of the Insurer]. Upon tender of such items to the Trustee, the Trustee shall transfer such funds from the Reserve Account to or upon the direction of the Authority.

Prior to the expiration of any Qualified Reserve Account Credit Instrument, the Authority shall be obligated either (a) to replace such Qualified Reserve Account Credit instrument with a new Qualified Reserve Account Credit Instrument, or (b) to deposit or cause to be deposited with the Trustee an amount of funds such that the funds on deposit in the Reserve Account, together with all Qualified Reserve Account Credit Instruments held by the Trustee, is at least equal to the Reserve Requirement.

**Section 5.06. Application of Redemption Fund.** The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received representing optional prepayments of the Installment Payments, in accordance with a Written Request of the Authority.

Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Sections 4.01(a) or (b); *provided, however*, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under this Section 5.06, and shall be fully protected in relying thereon.

**Section 5.07. Investments.** All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall hold any such moneys uninvested.

Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, provided, however, that earnings on the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement, and otherwise shall be transferred to the Bond Fund in accordance with Section 5.05(a).

For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee may rely conclusively on the written investment direction of the Authority as to the suitability and legality of the directed investments.

The Trustee shall incur no liability for losses arising from any investments made under this Section 5.07.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The moneys on deposit in the funds and accounts established under this Indenture shall not be deemed "surplus" under Section 53601 of the Government Code.

**Section 5.08. Valuation and Disposition of Investments.**

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under

this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code): provided that the Authority shall inform the Trustee which funds (other than the Reserve Account) are subject to a yield restriction.

(c) Except as provided in the preceding subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before April 1. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section 5.08, the term “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 Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security – State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon generally recognized or computerized securities pricing services that may be available to it, including those available through its regular accounting system.

## ARTICLE VI

### COVENANTS OF THE AUTHORITY

**Section 6.01. Punctual Payment.** The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof,

but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

**Section 6.02. Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended.

Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

**Section 6.03. Against Encumbrances.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture.

Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

**Section 6.04. Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture.

The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

**Section 6.05. Accounting Records.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the District during business hours, upon reasonable notice, and under reasonable circumstances

**Section 6.06. Limitation on Additional Obligations.** The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.



## **Section 6.07. Tax Covenants.**

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner that would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code.

The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the Authority.

The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

The Trustee may rely conclusively upon the Authority’s determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations hereunder.

**Section 6.08. Enforcement of Installment Sale Agreement.** The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the District under the Installment Sale Agreement.

Subject to the provisions of Article VIII, the Trustee may enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the District under the Installment Sale Agreement.

**Section 6.09. Waiver of Laws.** The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

**Section 6.10. Further Assurances.** The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

*[The provisions of this Article VII shall be subject to Section 11.16 hereof.]*

**Section 7.01. Events of Default.** The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time, not to exceed 180 days of the date of the written notice of such failure.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Installment Sale Agreement.

**Section 7.02. Acceleration; Other Remedies.** If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall, at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification

satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

The foregoing provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, the Authority shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal of the Bonds maturing prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) are made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate is made therefor, then, and in every such case, the Trustee, on behalf of the Owners of all of the Bonds, shall rescind and annul such declaration and its consequences: but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon; provided, however, that no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

In addition to declaring the principal of all of the Bonds, and the interest accrued thereon, to be immediately due and payable as set forth above, the Trustee shall have the right to pursue any other remedy provided by law or in equity or otherwise after an Event of Default has occurred.

**Section 7.03. Application of Revenues and Other Funds After Default.** If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

(a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture; and

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available is not sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

**Section 7.04. Trustee to Represent Bond Owners.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

**Section 7.05. Limitation on Bond Owners' Right to Sue.** Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Sale Agreement or any other applicable law with respect to such Bonds, unless

- (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name;
- (c) such Owner or Owners have tendered to the Trustee satisfactory indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

**Section 7.06. Absolute Obligation of Authority.** Nothing in this Indenture or in the Bonds affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

**Section 7.07. Termination of Proceedings.** In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

**Section 7.08. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee, or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**Section 7.09. No Waiver of Default.** No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01. Appointment of Trustee.** The U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be

deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII, so long as any Bonds are Outstanding.

**Section 8.02. Acceptance of Trusts; Removal and Resignation of Trustee.** The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. After the occurrence and during the continuance of an Event of Default, the Trustee shall use the same degree of care and skill that a prudent person would use or exercise in the circumstances in the conduct of such prudent person's own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the District, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the Authority, upon its own direction or the direction of the retiring Trustee may, or the retiring Trustee may, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all

instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, than for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

**Section 8.03. Merger or Consolidation.** Any bank, national banking association, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 8.04. Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Installment Sale Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the

same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it hereunder.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a corporate trust officer receives written notice thereof at its Office from the District, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the District of any of the terms, conditions, covenants or agreements herein, under the Installment Sale Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the District or the Authority of the terms, conditions, covenants or agreements set forth in the Installment Sale Agreement, other than the covenants of the District to make Installment Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the District is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires 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.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless the



such Owners have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty. to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights to the Trustee hereunder.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the District of the Wastewater Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or this Indenture for the existence, furnishing or use of the Wastewater Project.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to. Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources or energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate

shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

**Section 8.05. Right to Rely on Documents.** The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds, requisition, facsimile transmission, electronic mail or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture 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 Written Certificate, Written Request or Written Requisition of the Authority or the District, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee

for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

**Section 8.06. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the District, and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

**Section 8.07. Compensation and Indemnification.** The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, claim, damage, fine, penalty, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Installment Sale Agreement. As security for the performance of the obligations of the Authority under this Section 8.07, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Installment Sale Agreement. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

## ARTICLE IX

### MODIFICATION OR AMENDMENT HEREOF

#### Section 9.01. Amendments Permitted.

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of [the Insurer and] the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee.

No such modification or amendment may:

(i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or

(ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. [Subject to Section 11.16,] the Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; or

(v) to modify any of the provisions of this Indenture in any other respect, including the substitution of a Qualified Reserve Account Credit Instrument as set forth

in Section 5.05, provided that such modifications shall not have a material adverse effect on the interests of the Owners of the Bonds, in the opinion of Bond Counsel filed with the Trustee.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

**Section 9.02. Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**Section 9.03. Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds.

If the Supplemental Indenture so provides, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

**Section 9.04. Amendment of Particular Bonds.** The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Indenture.** Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable,
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds, or
- (c) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority pays all outstanding Bonds as provided above and also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds have not been surrendered for payment, this indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02.

In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

**Section 10.02. Discharge of Liability on Bonds.** Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee is made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

**Section 10.03. Deposit of Money or Securities with Trustee.** Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) non-callable Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the District, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee has been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, (ii) the Authority has delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above), [and (iii) the applicable provisions of Section 11.16 have been complied with].

The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

**Section 10.04. Unclaimed Funds.** Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the

repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon.

## **ARTICLE XI**

### **MISCELLANEOUS**

**Section 11.01. Liability of Authority Limited to Revenues.** Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

**Section 11.02. Limitation of Rights to Parties and Bond Owners.** Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture 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 Authority, the Trustee, the District and the Owners of the Bonds.

**Section 11.03. Funds and Accounts.** Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

**Section 11.04. Waiver of Notice; Requirement of Mailed Notice.** Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or



receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

**Section 11.05. Destruction of Bonds.** Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the Authority the Trustee shall deliver a certificate of such destruction to the Authority.

**Section 11.06. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

**Section 11.07. Notices.** All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt; provided, however, that notice to the Trustee shall be deemed given only upon receipt by it. The Authority, the District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District  
or the Authority:

Las Gallinas Valley Sanitary District  
300 Smith Ranch Road  
San Rafael, CA 94903  
Attention: Mark R. Williams  
General Manager  
Tel: 415-472-1033, ext 11  
mwilliams@lgvsd.org  
and  
Susan McGuire  
Administrative Services Manager  
Tel: 415-472-1033, ext. 19  
smcguire@lgvsd.org

If to the Trustee

U.S. Bank National Association  
Global Corporate Trust Services

One California Street, Suite 1000  
San Francisco, CA 94111

**Section 11.08. Evidence of Rights of Bond Owners.** Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

**Section 11.09. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the District, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination unless all the Bonds are so owned or held, in which case all such Bonds shall be deemed Outstanding. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority and the District shall specify to the Trustee those Bonds disqualified under this Section 11.09.

**Section 11.10. Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 but without any liability for interest thereon.

**Section 11.11. Waiver of Personal Liability.** No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture,

**Section 11.12. Successor Is Deemed Included in All References to Predecessor.** Whenever in this Indenture either the Authority, the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 11.13. Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 11.14. Payment on Non-Business Day.** In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

**Section 11.15. Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State of California.

**Section 11.16. [Provisions Relating to Insurer.]**

(a) Provisions Govern. The provisions of this Section shall govern, notwithstanding anything to the contrary set forth in the Indenture and the Installment Sale Agreement (the Indenture and the Installment Sale Agreement are collectively referred to in this Section as the “Security Documents”). Under the Installment Sale Agreement, the District has agreed to the provisions in this Section.

(b) Notice and Other Information to be given to Insurer. The District will provide Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the holders of Bonds or the Trustee under the Security Documents.

The notice address of Insurer is: \_\_\_\_\_ In each case in which notice or other communication refers to an event of default or a claim on the Insurance Policy, then a copy of such notice or other communication shall also be sent to \_\_\_\_\_.

(c) Defeasance. The investments in the defeasance escrow relating to Bonds shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by Insurer.

At least (three) 3 Business Days prior to any defeasance with respect to the Bonds, the District shall deliver to Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Bonds, a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to Insurer and shall be in form and substance satisfactory to Insurer. In addition, the escrow agreement shall provide that:

(i) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Bonds is excludable) from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of Insurer, which consent will not be unreasonably withheld.

(ii) Neither the Authority nor the District will exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in any official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) Neither the Authority nor the District shall amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of Insurer.

(d) Trustee.

(i) Insurer shall receive prior written notice of any name change of the Trustee for the Bonds or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by Insurer in writing.

(ii) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to Insurer, shall be qualified and appointed.

(e) Amendments, Supplements and Consents. Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The District shall send copies of any such amendments or supplements to Insurer and the rating agencies which have assigned a rating to the Bonds.

(i) *Consent of Insurer.* Any amendments or supplements to the Security Documents shall require the prior written consent of Insurer with the exception of amendments or supplements:

(A) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

(B) To grant or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Bonds, or

(C) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

(D) To add to the covenants and agreements of the District in the Security Documents other covenants and agreements thereafter to be observed by the District or to surrender any right or power therein reserved to or conferred upon the District.

(ii) *Consent of Insurer in Addition to Bondholder Consent.* Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Bonds or adversely affects the rights or interests of Insurer shall be subject to the prior written consent of Insurer.

(iii) *Consent of Insurer in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the District or Authority must be acceptable to Insurer. In the event of any reorganization or liquidation of the District or Authority, Insurer shall have the right to vote on behalf of all holders of the Bonds absent a continuing failure by Insurer to make a payment under the Insurance Policy.

(iv) *Consent of Insurer Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under any Security Document. No default or event of default may be waived without Insurer's written consent.

(v) *Insurer as Owner.* Upon the occurrence and continuance of a default or an event of default, Insurer shall be deemed to be the sole owner of the Bonds for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(vi) *Consent of Insurer for acceleration.* Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

(vii) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of Insurer.

(viii) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs e(i)-(vi) above to the contrary, (1) if at any time prior to or following an Insurer Default, Insurer has made payment under the Insurance Policy, to the extent of such payment Insurer shall be treated like any other holder of the Bonds for all purposes, including giving of consents, and (2) if Insurer has not made any payment under the Insurance Policy, Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of Insurer (including without limitation under the New York Insurance Law).

(f) Installment Sale Agreement.

(i) The Installment Sale Agreement is pledged and assigned to the Trustee for the benefit of the holders of the Bonds pursuant to Section 5.01(b) herein.

(ii) Any payments by the Obligor under the Installment Sale Agreement that will be applied to the payment of debt service on the Bonds shall be made directly to the Trustee at least five (5) business days prior to each debt service payment date for the Bonds.

(g) Insurer As Third Party Beneficiary. Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(h) Payment Procedure Under the Insurance Policy. In the event that principal and/or interest due on the Bonds shall be paid by Insurer pursuant to the Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District and Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District and Authority to the registered owners shall continue to exist and shall run to the benefit of Insurer, and Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

In the event that on the second (2<sup>nd</sup>) business day prior to any payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on such payment date, the Trustee shall immediately notify Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (i) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to Insurer of the claims for interest on the Bonds, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Insurance Policy payment from Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to Insurer of the Bonds surrendered to Insurer, (ii) receive as designee of the respective

holders (and not as Paying Agent) in accordance with the tenor of the Insurance Policy payment therefore from Insurer, and (iii) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Bonds paid by Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to Insurer, registered in the name directed by Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation or assignment rights of Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Authority and District with respect to such Bonds, and Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Authority, District and the Trustee agree for the benefit of Insurer that:

(i) They recognize that to the extent Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the Bonds, Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Bonds; and

(ii) They will accordingly pay to Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat Insurer as the owner of such rights to the amount of such principal and interest.

(i) Additional Payments. The District agrees unconditionally that it will pay or reimburse Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that Insurer may pay or incur, including, but not limited to, fees and expenses of Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to Insurer until the date Insurer is paid in full.



Notwithstanding anything herein to the contrary, the District agrees to pay to Insurer (i) a sum equal to the total of all amounts paid by Insurer under the Insurance Policy (“Insurer Policy Payment”); and (ii) interest on such Insurer Policy Payments from the date paid by Insurer until payment thereof in full by the District, payable to Insurer at the Late Payment Rate per annum (collectively, “Insurer Reimbursement Amounts”) compounded semi-annually. The District hereby covenants and agrees that the Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Installment Payments on a parity with debt service due on the Installment Payments.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(j) Reserve Account and Project Fund.

(i) The prior written consent of Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account, if any. Amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

(ii) Unless Insurer otherwise directs, upon the occurrence and continuance of an Event of Default, amounts on deposit in the Project Fund shall not be disbursed, but if such Event of Default cannot be cured within a reasonable period shall instead be applied to the payment of debt service or redemption price of the Bonds.

(k) Exercise of Rights by Insurer. The rights granted to Insurer under the Security Documents to request, consent to or direct any action are rights granted to Insurer in consideration of its issuance of the Insurance Policy. Any exercise by Insurer of such rights is merely an exercise of the Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Bonds and such action does not evidence any position of Insurer, affirmative or negative, as to whether the consent of the holders of the Bonds or any other person is required in addition to the consent of Insurer.

(l) Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not Insurer has received a claim upon the Insurance Policy.

(m) Reserve Policy Provisions.

(i) The District shall repay any draws under the Municipal Bond Debt Service Reserve Insurance Policy (the “Reserve Policy”) and pay all related reasonable expenses incurred by Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. “Late Payment Rate” means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Account established for the Bonds shall be transferred to the Interest Account and Principal Account for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other Qualified Reserve Account Credit Instrument in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Qualified Reserve Account Credit Instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Account Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(ii) Draws under the Reserve Policy may only be used to make payments on Bonds insured by the Insurer.

(iii) If the District shall fail to pay any Policy Costs in accordance with the requirements of paragraph (i) above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Security Documents other than (i) acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect owners of the Bonds.

(iv) The Security Documents shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The District's obligation to pay such amount shall expressly survive payment in full of the Bonds.

(v) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (m)(i) hereof and provide notice to the Insurer at least three business days prior to each date upon which interest or principal is due on the Bonds.

(vi) The Reserve Policy shall expire on the earlier of the date the Bonds are no longer outstanding and the final maturity date of the Bonds.]

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Marin Public Financing Authority has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. Bank National Association, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**MARIN PUBLIC FINANCING AUTHORITY**

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

ATTEST:

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

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

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

IN WITNESS WHEREOF, the Marin Public Financing Authority has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. Bank National Association, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**MARIN PUBLIC FINANCING AUTHORITY**

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

ATTEST:

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

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

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

Acknowledged and agreed:

**LAS GALLINAS VALLEY SANITARY DISTRICT,**

By \_\_\_\_\_

**APPENDIX A**

**BOND FORM**

NO. R-\_\_\_\_\_

\*\*\*\$\_\_\_\_\_\*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**MARIN PUBLIC FINANCING AUTHORITY  
(LAS GALLINAS VALLEY SANITARY DISTRICT)  
2017 REVENUE BONDS**

INTEREST RATE:	MATURITY DATE:	ORIGINAL ISSUE DATE:	CUSIP:
_____%	April 1, 20__	_____, 2017	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \*\*\* \_\_\_\_\_ \*\*\*

The MARIN PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before September 15, 2017, in which event it shall bear interest from the Original Issue Date specified above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2017 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the designated corporate trust office of U.S. BANK NATIONAL ASSOCIATION (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in

aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the “Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds (the “Bonds”), in an aggregate principal amount of \$[41,670,000], all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Articles 4 of Chapter 5, Division 7, Title 1 of the California Government Code, commencing with Section 6584 of said Code, and under an Indenture of Trust dated as of April 1, 2017 (the “Indenture”), between the Authority and the Trustee, and a resolution of the Authority adopted on March 23, 2017, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance certain improvements to the District’s facilities and property for the collection and conveyance of wastewater within its service area (the “Wastewater Enterprise”). This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of installment payments made by the District under an Installment Sale Agreement dated as of April 1, 2017, between the Authority and the District (the “Installment Sale Agreement”). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds are subject to redemption prior to maturity as provided under the Indenture. As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 30 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.



If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond 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.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Indenture or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Marin Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

MARIN PUBLIC FINANCING AUTHORITY

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

Attest:

\_\_\_\_\_  
Secretary

**CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

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

\_\_\_\_\_, as Trustee

By \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated:

Signature Guaranteed:

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

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

**INSTALLMENT SALE AGREEMENT**

**Dated as of April 1, 2017**

**Between the**

**MARIN PUBLIC FINANCING AUTHORITY,  
as Seller**

**and**

**LAS GALLINAS VALLEY SANITARY DISTRICT,  
as Purchaser**

**Relating to  
\$[41,670,000]  
Marin Public Financing Authority  
(Las Gallinas Valley Sanitary District)  
2017 Revenue Bonds**

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required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts. No other funds or property of the District are liable for the payment of the Installment Payments and any other amounts coming due and payable hereunder.....	8
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## **INSTALLMENT SALE AGREEMENT**

This **INSTALLMENT SALE AGREEMENT** (this “Agreement”), dated as of April 1, 2017, is between the **MARIN PUBLIC FINANCING AUTHORITY**, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Authority”), as seller, and the **LAS GALLINAS VALLEY SANITARY DISTRICT**, a sanitary district duly organized and existing under the laws of the State of California (the “District”), as purchaser.

### **WHEREAS CLAUSES:**

1. The District presently operates facilities and property for the collection and conveyance of wastewater within its service area (the “Wastewater Enterprise”).

2. The Authority has been formed for the purpose, among others, of issuing its revenue bonds to finance the acquisition, construction and improvement of certain public capital improvements in and for the benefit of the District.

3. The Authority and the District desire to raise funds necessary to finance certain improvements to the Wastewater Enterprise.

4. In order to obtain funds for this purpose, the Authority has authorized the issuance of its Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds (the “Bonds”), in the aggregate principal amount of \$[41,670,000] under an Indenture of Trust dated as of April 1, 2017, by and between the Authority and U.S. Bank National Association, as trustee (the “Indenture”), and under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”).

5. The Bonds will be payable from Installment Payments made under this Agreement.

### **AGREEMENT:**

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Authority formally covenant, agree and bind themselves as follows:

### **ARTICLE I**

#### **DEFINITIONS; RULES OF INTERPRETATION**

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement have the respective meanings given them in Article I of the Indenture.

Section 1.2. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Authority, [the Insurer] and the Trustee as follows:

(a) Due Organization and Existence. The District is a sanitary district duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Board of Directors of the District has duly authorized the execution and delivery of this Agreement.

(b) Due Execution. The officers of the District executing this Agreement are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement has been duly authorized, executed and delivered by the District and constitutes the legal, valid and binding agreement of the District enforceable against the District in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any

prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, properties or operations of the District, including but not limited to the performance of the District's obligations under this Agreement.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Indenture, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Indenture, or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Indenture, or the financial conditions, assets, properties or operations of the District, including but not limited to the payment and performance of the District's obligations under the Indenture.

(g) Encumbrances. There are no easements, encumbrances or interests with respect to the Wastewater Enterprise or the Wastewater Project that prohibit or materially impair the execution, delivery and performance of this Installment Sale Agreement or the acquisition or use of the Wastewater Project or the use of the Wastewater Enterprise.

(h) Senior Indebtedness. The District has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the payment of the Installment Payments as provided herein.

Section 2.2. Representations, Covenants and Warranties of Authority. The Authority represents, covenants and warrants to the District, [the Insurer] and the Trustee as follows:

(a) Due Organization and Existence. The Authority is a joint exercise of powers authority organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Indenture and to perform the duties and obligations imposed on it hereunder and thereunder. The Board of Directors of the

Authority has duly authorized the execution and delivery of this Agreement and the Indenture.

(b) Due Execution. The representatives of the Authority executing this Agreement and the Indenture are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority with the Authority, enforceable against the Authority in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery hereof and of the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated hereby and by the Indenture or the financial condition, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations under this Agreement and the Indenture.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery hereof or of the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal,



state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations hereunder and under the Indenture.

(g) Encumbrances. To the best knowledge of the Authority, there are no easements, encumbrances or interests with respect to the Wastewater Enterprise that prohibit or materially impair the execution, delivery and performance of this Installment Sale Agreement or the acquisition or use of the Wastewater Enterprise.

### ARTICLE III

#### ISSUANCE OF BONDS

Section 3.1. The Bonds. The Authority shall cause the Bonds to be issued under the Indenture in the aggregate principal amount of \$[41,670,000]. The Trustee shall deposit the proceeds of sale of the Bonds received by it on the Closing Date in accordance with the Indenture. The District hereby approves the Indenture, the assignment thereunder to the Trustee of certain rights of the Authority, and the issuance of the Bonds.

Section 3.2. Deposit and Application of Funds. The proceeds received by the Trustee from the sale of the Bonds to the Original Purchaser shall be deposited in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.02 of the Indenture.

Section 3.3. Acquisition of the Wastewater Project. The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the acquisition of the Wastewater Project in accordance with all documents relating thereto and approved by the District under all applicable requirements of law. The failure of the Authority to complete the Wastewater Project by that date does not constitute an Event of Default hereunder or a grounds for termination hereof, nor does any such failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments when due hereunder.

Section 3.4. Appointment of District as Agent. The Authority hereby appoints the District as its agent to carry out all phases of the acquisition of the Wastewater Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the acquisition of the Wastewater Project. As agent of the Authority hereunder, the District shall enter into, administer and enforce all purchase orders or other contracts relating to the Wastewater Project. Payment of Project Costs shall be made by the District from amounts held by the Trustee in the Project Fund in accordance with this Agreement and the Indenture.

Section 3.5. Certificate of Completion. Within thirty (30) days following the completion of the Wastewater Project, an Authorized Representative of the District shall execute and deliver to the Authority and the Trustee a Written Certificate of the District that:

- (a) states that the construction of the Wastewater Project has been substantially completed,
- (b) identifies the total Project Costs thereof, and
- (c) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs.

#### ARTICLE IV

##### SALE OF WASTEWATER PROJECT; INSTALLMENT PAYMENTS

Section 4.1. Sale of Wastewater Project. The Authority hereby sells, bargains and conveys the Wastewater Project to the District, and the District hereby purchases the Wastewater Project from the Authority, upon the terms and conditions set forth in this Agreement. The Authority and the District are entering into this Agreement in order to finance the facilities and improvements included in the Wastewater Project.

Section 4.2. Term. The Term of this Agreement commences on the Closing Date, and ends on April 1, 2042, or such later or earlier date on which the Bonds cease to be Outstanding under and within the meaning of the Indenture.

Section 4.3. Title. Title to the Wastewater Project shall be deemed conveyed by the Authority to and vested in the District on the Closing Date. The Authority and the District will execute, deliver and cause to be recorded any and all documents reasonably required by the District to consummate the transfer of title to the Wastewater Project to the District. Such title shall be held by the District in trust pending the satisfaction of the payment obligations under this Agreement.

Section 4.4. Installment Payments.

(a) Obligation to Pay. The District hereby agrees to pay to the Authority, as the purchase price of the Wastewater Project hereunder, the aggregate principal amount of \$[41,670,000] together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual installment payments in the respective amounts and on the respective Installment Payment Dates specified in Appendix A hereto.

The District shall deposit the Installment Payment coming due and payable on any Interest Payment Date with the Trustee, as assignee of the Authority under the Indenture, on the related Installment Payment Date (as set forth in Exhibit A hereto) in an amount which, together with amounts then held by the Trustee in the Bond Fund, is equal to the full amount of such Installment Payment. The Installment Payments are secured by and payable solely from the sources specified in Section 4.5.

(b) Effect of Prepayment. If the District prepays all remaining Installment Payments in full under Section 7.2, or under the relevant provisions of any Supplemental Agreement, the

District's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments therefor under this Section 4.4; provided, however, that the District's obligations to compensate and indemnify the Trustee under Sections 4.7 and 5.2 will survive such prepayment. If the District prepays the Installment Payments in part but not in whole under Section 7.2, or under the relevant provisions of any Supplemental Agreement, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections or in such Supplemental Agreement, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under the applicable provisions of the Indenture and the District shall provide the Trustee with a revised schedule of Installment Payments.

(c) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section 4.4 and Section 4.7, the payment in default will continue as an obligation of the District until fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

(d) Assignment. The District understands and agrees that certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust under the Indenture, for the benefit of the Owners of the Bonds, and the District hereby consents to such assignment. The Authority hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the District under this Section 4.4 and all amounts payable by the District under Article VII.

#### Section 4.5. Pledge and Application of Net Revenues.

(a) Pledge of Net Revenues. The District hereby grants a first priority lien and security interest in the Net Revenues in order to secure payment of the Installment Payments to the Trustee (as assignee of the Authority under the Indenture), on parity with Parity Obligations as described below. All of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitute a lien and security interest on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof, on a parity with the pledge and lien which secures any Parity Obligations.

(b) Deposit of Gross Revenues into Wastewater Enterprise Fund; Transfers to Make Payments. The District hereby establishes the Wastewater Enterprise Fund, which the District will hold and maintain for the purposes and uses set forth herein. The District shall deposit all of the Gross Revenues in the Wastewater Enterprise Fund immediately upon receipt. The District shall apply amounts in the Wastewater Enterprise Fund as set forth in this Agreement and any Parity Obligations Documents. Amounts on deposit in the Wastewater Enterprise Fund shall be applied by the District to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;

(ii) the Installment Payments and all payments of principal of and interest on any Parity Obligations;

(iii) to the Trustee the amount of any deficiency in the Reserve Account established for the Bonds [(including without limitation amounts due to the Insurer as provider of the Reserve Policy)] and in any reserve fund established for Parity Obligations, the notice of which deficiency has been given to the District in accordance with the Indenture and the related Parity Obligations Documents, respectively;

(iv) any other payments required to comply with the provisions of this Agreement (including Additional Payments) and any Parity Obligations Documents; and

(v) any other purposes authorized under subsection (d) of this Section 4.5.

(c) No Preference or Priority. Payment of the Installment Payments and the principal of and interest on any Parity Obligations shall be made without preference or priority among the Installment Payments and such Parity Obligations. If the amount of Net Revenues on deposit in the Wastewater Enterprise Fund is any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Obligations, such payments shall be made on a pro rata basis.

(d) Other Uses of Gross Revenues Permitted. The District shall manage, conserve and apply the Gross Revenues on deposit in the Wastewater Enterprise Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Wastewater Enterprise Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Wastewater Enterprise, (iii) the prepayment of any other obligations of the District relating to the Wastewater Enterprise, or (iv) any other lawful purposes of the District.

Section 4.6. Special Obligation of the District; Obligations Absolute. The District's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder is a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts. No other funds or property of the District are liable for the payment of the Installment Payments and any other amounts coming due and payable hereunder.

The obligations of the District to pay the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the District or otherwise with

respect to the Wastewater Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority or the Trustee. Until all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder are fully paid or prepaid, the District

(a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts,

(b) will perform and observe all other agreements contained in this Agreement, and

(c) will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of California or any political subdivision of either thereof, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Agreement.

The foregoing provisions of this Section 4.6 do not release the Authority from the performance of any of the agreements on its part contained herein or in the Indenture, and if the Authority fails to perform any such agreements, the District may institute such action against the Authority as the District deems necessary to compel performance, so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at its cost and expense and in its name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in such event the Authority shall cooperate fully with the District and shall take such action necessary to effect the substitution of the District for the Authority in such action or proceeding if the District may request.

Section 4.7. Additional Payments. In addition to the Installment Payments, the District shall pay when due the following amounts to the following parties:

(a) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of this Agreement and the Indenture;

(b) to the Trustee upon request therefor, all of its fees, costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents;

(c) to the Authority and the Trustee, all amounts required to indemnify the Authority and the Trustee under Section 5.2 hereof and Section 8.07 of the Indenture;

[(d) to the Insurer, all amounts set forth in Section 11.16 of the Indenture; and]

(e) all costs and expenses of auditors, engineers and accountants for professional services relating to the Wastewater Enterprise or the Bonds.

The Additional Payments shall be payable from, but shall not be secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Authority under this Section 4.7, and the obligations of the District under this Section 4.7, shall survive the termination of this Agreement, and with regard to the Trustee, the resignation or removal of the Trustee.

Section 4.8. Rate Stabilization Fund.

The District has the right at any time to establish a fund to be held by it and administered in accordance with this section, to be known as the “Rate Stabilization Fund,” for the purpose of stabilizing the rates and charges imposed by the District with respect to the Wastewater Enterprise.

From time to time the District may deposit amounts in the Rate Stabilization Fund from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Obligations, as the District may determine.

The District may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Enterprise Fund in any Fiscal Year for the purpose of paying Annual Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Wastewater Enterprise Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and will be applied for the purposes of the Wastewater Enterprise Fund.

Amounts on deposit in a Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Debt. All interest or other earnings on deposits in a Rate Stabilization Fund will be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Enterprise Fund. The District has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

The District does not currently maintain funds in a Rate Stabilization Fund.

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.1. Disclaimer of Warranties., Maintenance, Utilities and Taxes.

(a) The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project or any component thereof, or any other representation or warranty with respect to the Project or any component thereof. In no event is the Authority liable for incidental, indirect, special or consequential damages, in connection with

or arising out of this Agreement or the Indenture for the existence, furnishing, functioning or use of the Project.

(b) Throughout the Term of this Agreement, all improvement, repair and maintenance of the Wastewater Enterprise shall be the responsibility of the District, and the District shall pay for or otherwise, arrange for the payment of all utility services supplied to the Wastewater Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Wastewater Enterprise resulting from ordinary wear and tear.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the District affecting the Wastewater Enterprise or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Agreement as and when the same become due.

Section 5.2. Release and Indemnification Covenants. The District agrees to indemnify the Authority and the Trustee and their respective officers, directors, employees, agents, successors and assigns, against all costs, claims, losses, liabilities, penalties, fines and damages, including legal fees and expenses, arising out of

(a) the use, maintenance, condition or management of, or from any work or thing done on or about the Wastewater Enterprise by the District,

(b) any breach or default on the part of the District in the performance of any of its obligations under this Agreement or the Indenture,

(c) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater Enterprise,

(d) any act or omission of any lessee of the District with respect to the Wastewater Enterprise, and

(e) the acceptance or administration of the Indenture and the trusts thereunder, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers hereunder or under the Indenture.

No indemnification is made under this Section 5.2 or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Authority, or the Trustee, or their respective officers, agents, employees, successors or assigns. The provisions of this Section 5.2 shall survive the expiration of the Term of this Agreement and the earlier removal or resignation of the Trustee.

Section 5.3. Sale or Eminent Domain of Wastewater Enterprise. Except as provided herein, the District covenants that the Wastewater Enterprise shall not be encumbered, sold,

leased, pledged, have any charge placed thereon, or otherwise be disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments or the principal of or interest on any Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Agreement or any Parity Obligations Documents.

The District may not enter into any agreement which impairs the operation of the Wastewater Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues.

If any substantial part of the Wastewater Enterprise is sold, the payment therefor shall be used for the acquisition or construction of improvements to the Wastewater Enterprise.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall be used for the acquisition or construction of improvements to the Wastewater Enterprise.

Section 5.4. Insurance. The District shall at all times maintain with responsible insurers all such insurance on the Wastewater Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater Enterprise.

The District shall apply any amounts collected from insurance against accident to or destruction of any portion of the Wastewater Enterprise to repair or rebuild such damaged or destroyed portion of the Wastewater Enterprise.

The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Authority, the Trustee and the Owners of the Bonds.

Any policy of insurance required under this Section 5.4 may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

Section 5.5. Records and Accounts. The District shall keep proper books of record and accounts of the Wastewater Enterprise in which complete and correct entries shall be made of all transactions relating to the Wastewater Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% of the Outstanding Bonds, or their representatives authorized in writing, upon not less than 2 Business Days' prior notice to the District.

The District shall cause the books and accounts of the Wastewater Enterprise to be audited annually by an Independent Accountant not more than 9 months after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the District and at the Trust Office of the Trustee. Such report may be part of a



combined financial audit or report covering all or part of the District's finances. The Trustee shall have no duty to review, verify or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Owners; the Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

Section 5.6. Rates and Charges.

(a) Covenant Regarding Gross Revenues. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year.

(ii) All Installment Payments and all payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Installment Payments or the principal of and interest on such Parity Obligations are payable from the proceeds of the Bonds or such Parity Obligations, as applicable, or from any source of legally available funds of the District (other than the Gross Revenues of the Wastewater Enterprise) that have been deposited with the Trustee for such purpose before the beginning of that Fiscal Year.

(iii) All amounts, if any, required to restore the balance in the Reserve Account to the full amount of the Reserve Requirement, [including without limitation any Policy Costs (as defined in the Indenture) due to the Insurer as provider of the Reserve Policy].

(iv) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year, except to the extent other sources of funds are reserved or encumbered therefore.

(b) Covenant Regarding Net Revenues. In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year that are sufficient, after making allowances for contingencies and errors in estimates, to yield Net Revenues that are at least equal to 125% of the amount described in the preceding clauses (a)(ii) and (iii) for such Fiscal Year.

Section 5.7. Superior and Subordinate Obligations. The District may not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments.

Nothing herein is intended or shall be construed to limit or affect the ability of the District to issue, enter into or incur

(a) Parity Obligations under Section 5.8, or

(b) obligations that are either unsecured or that are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

Section 5.8. Issuance of Parity Obligations. Except for obligations incurred to prepay or discharge the Installment Payments or any Parity Obligations, the District may not issue or incur any Parity Obligations during the Term hereof unless all of the following conditions are satisfied:

(a) No Event of Default has occurred and is continuing.

(b) The amount of Net Revenues, excluding connection fees and transfers from the Rate Stabilization Fund, as shown by the books of the District for the most recent completed Bond Year for which audited financial statements of the District are available or for any more recent consecutive 12-month period selected by the District, in either case verified by an Accountant or a Financial Consultant or shown in the audited financial statements of the District, plus at the option of the District any Additional Revenues, are at least equal to 125% of the amount of Maximum Annual Debt Service coming due and payable in the current or any future Bond Year with respect to the Bonds and all Parity Debt then outstanding (including the Parity Debt then proposed to be issued).

If the Parity Obligations are being issued solely to refund outstanding Parity Obligations, and the resulting Annual Debt Service for each Bond Year is less than the Annual Debt Service for each Bond Year prior to the issuance of the refunding Parity Obligations, the District need not comply with the provisions of paragraphs (a) and (b) above. The Parity Obligations may be, but are not required to be, in the form of Supplemental Agreements, and may, but are not required to, secure the payment of debt service on Bonds.

Section 5.9. Governmental Loans.

(a) The District may borrow money from a Governmental Agency and incur a Governmental Loan to finance improvements to the Wastewater Enterprise. A Governmental Loan may be treated as a Parity Obligation for purposes of this Agreement, so long as the District complies with Sections 5.8(a) and (b) of this Agreement before incurring the Governmental Loan.

(b) (i) A Governmental Agency shall not be entitled to be paid from monies then on hand in the Reserve Account (or amounts available to be drawn under the Reserve Policy) if the Net Revenues are ever insufficient to make a timely payment on the Governmental Loan, and (ii) the District shall not make a payment on any Governmental Loan (except as expressly permitted in subsection (c) below) to the extent it would have the effect of causing the District to fail to make a timely payment on the Bonds.

(c) If Net Revenues are ever insufficient to pay the full amount of Installment Payments and other Parity Obligations then Outstanding and such Governmental Loan, the District shall make payments on the Installment Payments and other Parity Obligations and such Governmental Loan on a pro rata basis.

Section 5.10. Operation of Wastewater Enterprise in Efficient and Economical Manner. The District covenants and agrees to operate the Wastewater Enterprise in an efficient and economical manner and to operate, maintain and preserve the Wastewater Enterprise in good repair and working order.

Section 5.11. Assignment and Amendment. The Authority and the District may at any time amend or modify any of the provisions of this Agreement, but only: (a) with the prior written consents of [the Insurer and] the Owners of a majority in aggregate principal amount of the Outstanding Bonds, or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in this Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the District and the Authority;

(iii) to modify, amend or supplement this Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code (provided that this provision shall not apply to bonds the interest on which is intended to be included in gross income for purposes of federal income taxation);

(iv) in any other respect whatsoever as the Authority and the District deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds; and

(v) to provide for the issuance of Parity Obligations pursuant to Section 5.8 hereof.

No such modification or amendment may (a) extend or have the effect of extending any Installment Payment Date or reducing any Installment Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

Section 5.12. Continuing Disclosure. The District hereby covenants and agrees to comply with and carry out all of the provisions of the continuing disclosure certificate (the "Continuing Disclosure Certificate") as originally executed as of the date of issuance and delivery of the Bonds, and as it may be amended from time to time in accordance with its terms.

Notwithstanding any other provision of this Agreement, failure by the District to comply with the Continuing Disclosure Certificate shall not constitute a default hereunder or under the Indenture of Trust; provided, however, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such action as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.12, including seeking mandamus or specific performance by court order. All capitalized terms used but not defined in this Section 5.12 shall have the meanings given in the Continuing Disclosure Certificate.

## ARTICLE VI

### EVENTS OF DEFAULT

Section 6.1. Events of Default Defined. The following events constitute Events of Default hereunder:

(a) Failure by the District to pay any Installment Payment when due and payable hereunder.

(b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 30 days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Authority or the Trustee; provided, however, that if the District notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an event of default hereunder if the District commences to cure such failure within such 60 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time not to exceed 180 days of the date of such written notice of failure.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence of any event defined to be an event of default under any Parity Obligations Documents.

Section 6.2. Remedies on Default. If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority and subject to its rights and protections under the Indenture has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

(a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable.

Notwithstanding the foregoing provisions of this subsection (a), the Trustee shall rescind and annul such declaration and its consequences if, before any judgment or decree for the payment of the moneys due has been obtained or entered, if (i) the District deposits with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and (ii) the District pays the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and (iii) any and all other defaults actually known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good. No such rescission and annulment will extend to or shall affect any subsequent default, or impair or exhaust any right or power consequent thereon.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.

(c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

Section 6.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive. Every such remedy is cumulative and 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 impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI or by law.

Section 6.4. Agreement to Pay Attorneys' Fees and Expenses. If either party to this Agreement defaults under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the

reasonable fees and expenses of such attorneys and such other expenses so incurred. The provisions of this Section 6.4 survive the expiration of the Term of this Agreement.

Section 6.5. No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and does not waive any other breach hereunder.

Section 6.6. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VI have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Security Deposit. Notwithstanding any other provision hereof, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant (which opinion is addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.4(a) or when due on any optional prepayment date under Section 7.2, as the District instructs at the time of said deposit.

If the District makes a security deposit under this Section for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Net Revenues and all other security provided by this Agreement for said obligations, will thereupon cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the security deposit. The security deposit will be deemed to be and will constitute a special fund for the payment of the Installment Payments in accordance with the provisions hereof.

Section 7.2. Optional Prepayment Relating to the Bonds. The District may exercise its option to prepay the principal components of the Installment Payments relating to the Bonds in whole or in part on any date on or after April 1, 2027, provided, however, that the District may prepay up to \$4,300,000 in principal components of the Installment Payments relating to the Bonds on any date before [October 31, 2018].

The District may exercise such option by payment of a prepayment price equal to the sum of:

- (a) the aggregate principal components of the Installment Payments relating to the Bonds to be prepaid,
- (b) the interest component of the Installment Payment relating to the Bonds required to be paid on or accrued to such date, and
- (c) the premium (if any) then required to be paid upon the corresponding redemption of the Bonds under Section 4.01(a) of the Indenture.

The Trustee shall deposit the prepayment price in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01(a) of the Indenture. If the District prepays the Installment Payments in part but not in whole, the principal components will be prepaid among such maturities and in such integral multiples of \$5,000 as the District designates in written notice to the Trustee.

Section 7.3. Credit for Amounts on Deposit. If the District prepays the Installment Payments in full under this Article VII, such that the Indenture is discharged by its terms as a result of the prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.1. Further Assurances. The District agrees that it will execute and deliver and file any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 8.2. Notices. Any notice, request, complaint, demand or other communication under this Agreement must be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice is effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States of America mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt; provided, however that notice to the Trustee shall be deemed given only upon receipt by it. The Authority, the District and the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District  
or the Authority:

Las Gallinas Valley Sanitary District  
300 Smith Ranch Road  
San Rafael, CA 94903  
Attention: Mark R. Williams  
Administrative Services Manager  
Tel: 415-472-1033, ext. 19  
mwilliams@lgvsd.org

and

Attention: Susan McGuire  
Administrative Services Manager  
Tel: 415-472-1033, ext. 19  
smcguire@lgvsd.org

If to the Trustee:

U.S. Bank National Association  
Global Corporate Trust Services  
One California Street, Suite 1000  
San Francisco, CA 94111

Section 8.3. Governing Law. This Agreement will be construed in accordance with and governed by the laws of the State of California.

Section 8.4. Binding Effect. This Agreement inures to the benefit of and is binding upon the Authority and the District and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 8.5. Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the District each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 8.6. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, are solely for convenience of reference and do not affect the meaning, construction or effect of this Agreement. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a



whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender mean and include words of the feminine and neuter genders.

Section 8.7. Payment on Non-Business Days. Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the immediate preceding Business Day.

Section 8.8. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original and all of which together constitute but one and the same instrument.

Section 8.9. Waiver of Personal Liability. No member of the Board of Directors, officer, agent or employee of the District has any individual or personal liability for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained relieves any such member of the Board of Supervisors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

Section 8.10. Trustee [and Insurer] as Third Party Beneficiaries. The Trustee [and the Insurer] are hereby made third party beneficiaries hereof and are entitled to the benefits of this Agreement with the same force and effect as if the Trustee [and the Insurer] were parties hereto.

Section 8.11. [Provisions Relating to Insurer. The provisions of this Section shall govern, notwithstanding anything to the contrary set forth in this Installment Sale Agreement. Section 11.16 of the Indenture is hereby incorporated by reference and the District agrees to the provisions of Section 11.16 of the Indenture.]

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Authority and the District have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

MARIN PUBLIC FINANCING AUTHORITY,  
as Seller

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

LAS GALLINAS VALLEY SANITARY  
DISTRICT, as Purchaser

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

**APPENDIX A**

**SCHEDULE OF INSTALLMENT PAYMENTS**

<u>Interest Payment Date<sup>(1)</sup></u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
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<sup>(1)</sup> Installment Payment Dates are the 5<sup>th</sup> Business Day immediately preceding each Interest Payment Date shown in the table.

## **APPENDIX B**

### **DESCRIPTION OF WASTEWATER PROJECT**

The Bonds are being issued primarily to finance capital improvements to the Wastewater Enterprise consisting primarily of improvements to the District's wastewater treatment plant, expansion of the recycled water treatment facility, improvements to the administrative facilities of the District. The Bonds may also be used to finance any other capital project of benefit to the Wastewater Enterprise.

**OFFICIAL NOTICE OF SALE**

**and**

**OFFICIAL BID FORM**

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**\$41,670,000\***

**MARIN PUBLIC FINANCING AUTHORITY**

**(Las Gallinas Sanitary District)**

**2017 Revenue Bonds**

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The Marin Public Financing Authority will receive electronic bids for the above-referenced bonds at the place and up to the time specified below:

**SALE DATE:** Tuesday, April 11, 2017\*  
(Subject to postponement or cancellation in accordance with this Official Notice of Sale)

**TIME:** 10:00 a.m. (California time)\*

**PLACE:** Electronic bids through Ipreo LLC's  
BIDCOMP™/PARITY© System ("Parity")

**DELIVERY DATE:** April 28, 2017\*

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\* Preliminary, subject to change.

**OFFICIAL NOTICE OF SALE**

**\$41,670,000\***

**MARIN PUBLIC FINANCING AUTHORITY  
(LAS GALLINAS VALLEY SANITARY DISTRICT)  
2017 REVENUE BONDS**

NOTICE IS HEREBY GIVEN that that electronic bids will be received in the manner described below through Ipreo LLC's BiDCOMP™/PARITY® System (“**Parity**”) by the Marin Public Financing Authority (the “**Authority**”) for the purchase of \$41,670,000\* aggregate principal amount of Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds (the “**Bonds**”), more particularly described hereinafter, on:

**Tuesday, April 11, 2017, at 10:00 a.m. (California time)\***  
(subject to postponement or cancellation in accordance with this Official Notice of Sale)

See “TERMS OF SALE – Form of Bids; Delivery of Bids” hereinafter for information regarding the terms and conditions under which bids will be received through electronic transmission.

**THE RECEIPT OF BIDS ON TUESDAY, APRIL 11, 2017\*, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE AUTHORITY THROUGH BLOOMBERG BUSINESS NEWS (“BLOOMBERG”) AND/OR PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION.** Notice of the new date and time for receipt of bids will be given through Bloomberg and/or Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the municipal advisor to the Authority: Bartle Wells Associates, 1889 Alcatraz Avenue, Berkeley, California 94703; telephone (415) 858-8081, Attention: Tom Gaffney (e-mail: tgaffney@bartlewells.com) (the “**Municipal Advisor**”), *provided*, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See “TERMS OF SALE – Postponement or Cancellation of Sale.”

The Authority reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the payments of principal of the Bonds scheduled to be paid as shown under “TERMS RELATING TO THE BONDS – Principal Payments”; *provided*, that any such modification or amendment will be communicated to potential bidders through Bloomberg and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See “TERMS OF SALE – Right to Modify or Amend.”

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\* Preliminary, subject to change.

Bidders are referred to the Preliminary Official Statement, dated [POS Date], 2017, of the Authority with respect to the Bonds (the “**Preliminary Official Statement**”) for additional information regarding the Authority, Las Gallinas Valley Sanitary District (the “District”), the Bonds, the security for the Bonds and other matters. See “CLOSING PROCEDURES AND DOCUMENTS – Official Statement.” Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to the Parity bid delivery system and will be available online at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). If the summary of the terms of sale of the Bonds posted by Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale will control, unless a notice of an amendment is given as described herein. BIDCOMP/Parity can be contacted at 1359 Broadway, NY, NY 10018 or by phone at (212) 849-5021.

### **TERMS RELATING TO THE BONDS**

**THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY AND SOURCES OF PAYMENT, THE LEGAL OPINION, AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.**

Subject to the foregoing, the Bonds are generally described as follows:

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of \$5,000 or any integral multiple of that amount, as designated by the successful bidder (the “**Purchaser**”), all dated the date of delivery, which is expected to be April 28, 2017\*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company (“**DTC**”). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest on the Bonds will be payable on October 1, 2017, and semiannually thereafter on April 1 and October 1 of each year (each an “**Interest Payment Date**”). Interest will be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds.

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\* Preliminary, subject to change.

Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

- (i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent ( $1/8$  or  $1/20$  of 1%) per annum;
- (ii) the maximum interest rate bid for any maturity may not exceed four and one-half percent (4.50%) per annum;
- (iii) no Bond may bear a zero rate of interest;
- (iv) each Bond must bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid;
- (v) all Bonds maturing at any one time must bear the same rate of interest; and
- (vi) the interest rate on any maturity shall not be less than the interest rate on any prior maturity.

Principal Payments. The Bonds will be serial and/or term Bonds, as specified by each bidder, and principal will be payable on April 1 each year, commencing on April 1, 2018 as shown below. The final maturity of the Bonds will be April 1, 2042. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year must be in integral multiples of \$5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the individual series of Bonds is shown below for information purposes only. **Bidders will provide bids on the Total Principal Amount only.** Subject to adjustment as hereinafter provided, the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:



<b>Principal Payment Date (April 1)</b>	<b>Total Principal Amount*</b>
2018	\$ 1,220,000
2019	1,235,000
2020	1,250,000
2021	1,270,000
2022	1,290,000
2023	1,315,000
2024	1,345,000
2025	1,375,000
2026	1,410,000
2027	1,450,000
2028	1,495,000
2029	1,540,000
2030	1,590,000
2031	1,640,000
2032	1,695,000
2033	1,750,000
2034	1,810,000
2035	1,870,000
2036	1,935,000
2037	2,005,000
2038	2,080,000
2039	2,155,000
2040	2,230,000
2041	2,315,000
2042	2,400,000
TOTAL	<u>\$41,670,000</u>

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Authority with respect to the likely interest rates and premium contained in the winning bid. **The Authority therefore reserves the right to change the principal payment schedule set forth above after the determination of the winning bidder, by adjusting one or more of the principal payments of the Bonds in increments of \$5,000, as determined in the sole discretion of the Authority. Any such adjustment of principal payments on the Bonds will be based on the schedule of principal payments provided by the Authority to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

**THE PURCHASER WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES**

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\* Preliminary, subject to change.

**IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.**

Redemption. (a) Optional Redemption. The Bonds maturing on or before April 1, 2027 will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after April 1, 2028, are subject to redemption in whole, or in part at the written request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 2027, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

(b) Special Optional Redemption. Up to \$4,300,000 in principal amount of the Bonds are subject to optional redemption in whole, or in part at the Written Request of the Authority, among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date before October 31, 2018, from any available source of funds, at a redemption price equal to 102.5% the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption. The District will determine amounts to be redeemed among maturities such that debt service on the Bonds remains approximately level.

(b) Mandatory Sinking Fund Redemption. Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates, in part, by lot, from mandatory sinking fund payments, on each April 1 designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired.

Payments. Principal of, redemption premium, if any, and interest on the Bonds will be paid by the Trustee, to DTC. DTC is required to remit such principal, redemption premium and interest to its Participants for disbursement to the beneficial owners of the Bonds.

**TERMS OF SALE**

Bids. The net bid for the Bonds must not be less than 99% of the par amount of the Bonds.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds, (2) unconditional, and (3) submitted via Parity. Electronic bids must conform to the procedures established by Parity and received by 10:00 a.m. (California time). No bid submitted to the Authority may be withdrawn or modified by the bidder.

**All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids will be rejected. No bid submitted to the Authority may be withdrawn or modified by the bidder. No bid will be accepted after the time for receiving bids. The Authority retains absolute discretion to**

determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Authority takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact the Municipal Advisor or Parity, phone: (212) 404-8107.

**Warnings Regarding Electronic Bids.** Bids for the Bonds shall be submitted electronically via Parity. None of the Authority, the District, the Municipal Advisor or Bond Counsel (defined below) assumes any responsibility for any error contained in any bid submitted electronically or for the failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.

By submitting an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the Authority will not have any duty or obligation to provide or assure access to Parity to any bidder, and the Authority will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the Authority is permitting use of Parity as a communication mechanism, and not as an agent of the Authority, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Authority; (5) the Authority is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the Authority may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory; (7) if the bidder's bid is accepted by the Authority, the signed, completed and conforming Official Bid Form submitted by the bidder by facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the Authority unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. The Authority reserves the right to reject all the bids or postpone the bids for any reason. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder which timely submits a conforming bid that represents the lowest true interest cost (“**TIC**”) to the Authority and which timely provides the Good Faith Deposit as described under “– Good Faith Deposit” below. The TIC will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. If two or more bidders offer bids for the Bonds at the same lowest TIC, the Authority reserves the right to exercise its own discretion and judgment in making the award. Bid evaluations or rankings made by Parity are not binding on the Authority.

Estimate of TIC. Each bidder is requested, but not required, to supply an estimate of the TIC based upon its bid, which will be considered as informative only and not binding on either the bidder or the Authority.

Multiple Bids. If multiple bids are received from a single bidder by any means or combination of means, the Authority will accept the bid representing the lowest TIC to the Authority. Each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest TIC to the Authority.

Good Faith Deposit. To secure the Authority from any loss resulting from the failure of the winning bidder to comply with the terms of its bid, a good faith deposit in the amount of \$300,000 (the “**Good Faith Deposit**”) must be provided by the winning bidder.

Upon the determination by the Authority of the winning bidder of the Bonds, the Municipal Advisor will notify the winning bidder of the Authority’s determination. After notification, the winning bidder will confirm to the Municipal Advisor by telephone ((415) 858-8081) that the winning bidder will wire the Good Faith Deposit as soon as possible and in any event not later than twenty-four (24) hours after verbal notice of the bid award. The winning bidder will provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor. The wire transfer instructions will be provided to the winning bidder at the time of the bid award.

If the winning bidder does not confirm to the Municipal Advisor that the winning bidder will wire the Good Faith Deposit upon receipt of wiring instructions from the Authority as provided herein, the Authority may, in its sole discretion, reject the bid of the winning bidder and may award the Bonds to the responsible bidder that timely submitted a conforming bid that represents the next lowest TIC to the Authority, which will in turn become and will assume the responsibilities of the winning bidder as described in this paragraph.

The Good Faith Deposit will immediately upon receipt become the property of the Authority and will be held and invested for the exclusive benefit of the Authority. No interest will be paid upon the Good Faith Deposit. The Good Faith Deposit, without interest, will be

credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery of the Bonds.

If the purchase price is not paid in full upon tender of the Bonds by the Authority to the Purchaser, the Authority will retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it appears that the Bonds would not be validly delivered if delivered to the Purchaser in the form and manner proposed, except pursuant to a right of cancellation. See “CLOSING PROCEDURES AND DOCUMENTS – Right of Cancellation.” If the Purchaser fails to deliver the Good Faith Deposit in accordance with this Official Notice of Sale or fails to take up and pay for the Bonds, the Authority reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the Authority.

Electronic Bids; Delivery of Form of Bids. If the Authority accepts a bidder’s bid that was submitted through Parity, the successful bidder must submit a signed, completed and conforming Official Bid Form by scanned email transmission to Bartle Wells Associates, the Authority’s Municipal Advisor, as soon as practicable.

Reoffering Prices and Certificate. As soon as is practicable after the award of the Bonds, the successful bidder must provide to the Authority the initial offering prices at which it has offered all of the Bonds of each maturity of each series to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers), in a *bona fide* public offering. The winning bidder for the Bonds also must submit to the Authority a certificate (the “Reoffering Price Certificate”), satisfactory to Hawkins Delafield & Wood LLP (“Bond Counsel”), prior to the delivery of the Bonds that states, among other things, that: (a)(i) on the date of award, such successful bidder made a bona fide public offering of the Bonds purchased by such successful bidder at initial offering price corresponding to the price or yield indicated in the information furnished in connection with the successful bid, and (ii) as of such date, the first price or yield at which an amount equal to at least ten percent (10%) of Bonds purchased by such successful bidder was sold to the public was, respectively, a price not higher or a yield not lower than indicated in the information furnished with the successful bid (the “first price rule”), unless such certificate contains an explanation as to the reasons why the first price rule was not satisfied, OR (b) such successful bidder has purchased the Bonds for its own account and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary, and the price or prices at which such purchase was made. For the purposes of the Reoffering Price Certificate, the “public” does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. In making such representations, the successful bidder must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the bidder in connection with the initial sale of any of the Bonds.

Right of Rejection and Waiver of Irregularity. The Authority reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. The Authority reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity for any series of Bonds and adding or deleting serial maturity dates, along with corresponding principal amounts with respect thereto, for any years from 2018 through and including 2042; *provided*, that any such modification or amendment will be communicated to potential bidders through Parity and/or Bloomberg not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of a potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The Authority may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation will be given through Parity and/or Bloomberg as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date will be given through Parity and/or Bloomberg as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Time for Award. The President or the Treasurer of the Authority (the “**Authorized Officer**”) will take official action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

Legal Opinion and Tax Matters. Upon delivery of the Bonds, Bond Counsel will deliver an opinion to the effect that in the opinion of such Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See “TAX MATTERS” in the Preliminary Official Statement.

A copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix E to the Preliminary Official Statement. The approving legal opinion of Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds. Copies of the opinion will be filed with the Authority.

## CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC, and is presently expected to take place on or about April 28, 2017\*.** Payment for the Bonds (including any premium) must be made to the Bankers Trust Company, as Trustee, at the time of delivery in immediately available funds. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Authority will deliver to the Purchaser, dated as of the delivery date, the legal opinion with respect to the Bonds described in APPENDIX E – “FORM OF BOND COUNSEL OPINION” to the Official Statement.

Qualification for Sale. The Authority will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Authority may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided*, that the Authority will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. The Authority will deliver a certificate stating that no litigation is pending with service of process having been accomplished or, to the knowledge of the officer of the Authority executing such certificate, threatened, concerning the validity of the Bonds, the ability of the Authority to levy the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence of the Authority, or the title to their respective offices of the officers of the Authority who will execute the Bonds.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the Authority fails to execute the Bonds and tender the same for delivery within thirty (30) days from the sale date, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of each series of the Bonds. CUSIP data is provided by Standard and Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The Authority will take no responsibility for the accuracy of such numbers.

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\* Preliminary, subject to change.

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within sixty (60) days from the sale date the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Municipal Advisor. In accordance with Rule 15c2-12 of the Securities and Exchange Commission (“**Rule 15c2-12**”), the Authority deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. The contact information for the Municipal Advisor is set forth on the first page of this Official Notice of Sale. Within seven business days after the date of award of the Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed 100) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify the Authority in writing within two days of the sale of the Bonds if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Bonds, the Purchaser agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to file promptly a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board governing the offering, sale and delivery of the Bonds to the Purchaser, including without limitation, the delivery of a final Official Statement to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the Authority. The Purchaser’s name will not appear on the cover of the Official Statement.

Certificates Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the Authority and the District, confirming to the Purchaser that, to the best of the knowledge of such authorized representative, the Official Statement (except for information regarding DTC and its book-entry system and reoffering information, as to which no view will be expressed), as of the date of sale of the Bonds and as of the date of their delivery, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the Authority will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be included in the final Official Statement.

Dated: [POS Date], 2017



BID TIME: 10:00 A.M. (California time)\*

Tuesday, April 11, 2017\*

**OFFICIAL BID FORM FOR THE PURCHASE OF  
\$41,670,000\*  
MARIN PUBLIC FINANCING AUTHORITY  
(LAS GALLINAS VALLEY SANITARY DISTRICT)  
2017 REVENUE BONDS**

BIDDING FIRM'S NAME: \_\_\_\_\_

President  
Marin Public Financing Authority

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated [POS Date], 2017, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Bonds (the "**Bonds**") and hereby offer to purchase all of the \$41,670,000\* aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of \$300,000 within the time and in the manner specified in the Official Notice of Sale; and to pay therefor the price of \$\_\_\_\_\_, which is equal to the aggregate principal amount of the Bonds plus a net premium of \$\_\_\_\_\_ (such amount being the "**Purchase Price**"). The Bonds will mature and will be subject to mandatory sinking fund redemption (if term bonds are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedules below.

**Combined Maturity Schedule\***

(Check one) <sup>(1)</sup>					(Check one) <sup>(1)</sup>				
<u>Principal Payment Date (April 1)</u>	<u>Annual Principal Payment*</u>	<u>Serial Maturity</u>	<u>Mandatory Sinking Fund Redemption</u>	<u>Interest Rate</u>	<u>Principal Payment Date (April 1)</u>	<u>Annual Principal Payment*</u>	<u>Serial Maturity</u>	<u>Mandatory Sinking Fund Redemption</u>	<u>Interest Rate</u>
2018					2031				
2019					2032				
2020					2033				
2021					2034				
2022					2035				
2023					2036				
2024					2037				
2025					2038				
2026					2039				
2027					2040				
2028					2041				
2029					2042				
2030									
					<b>TOTAL</b>	<b>\$41,670,000</b>			

\* Subject to adjustment in accordance with the Official Notice of Sale.  
(1) Circle the final maturity of each term bond specified.

FIRM'S NAME: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signatory

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

Phone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

TIC (optional and not binding): \_\_\_\_\_

**THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE AUTHORITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.**