
TRUST AGREEMENT

Dated as of December 1, 2016

by and among

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee,

the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

and the

MID-PENINSULA WATER DISTRICT

(2016 Financing Project)

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS; AUTHORIZATION; EXHIBITS

Section 1.01. Definitions2
Section 1.02. Authorization.....2
Section 1.03. Content of Written Certificates2
Section 1.04. Exhibits2

ARTICLE II
THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization.....3
Section 2.02. Date3
Section 2.03. Maturity; Interest Rates3
Section 2.04. Interest3
Section 2.05. Form of Certificates; Legends.....4
Section 2.06. Execution4
Section 2.07. Application of Proceeds4
Section 2.08. Transfer and Exchange4
Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen.....4
Section 2.10. Payment5
Section 2.11. Execution of Documents and Proof of Ownership5
Section 2.12. Certificate Register6
Section 2.13. CUSIP Numbers6
Section 2.14. Use of Depository6

ARTICLE III
PROJECT FUND; DELIVERY COSTS FUND

Section 3.01. Project Fund9
Section 3.02. Payment of Project Costs.....9
Section 3.03. Delivery Costs Fund10
Section 3.04. Payment of Delivery Costs10
Section 3.05. Transfers of Unexpended Proceeds.....10

ARTICLE IV
REDEMPTION OF CERTIFICATES

Section 4.01. Redemption.....11
Section 4.02. Selection of Certificates for Redemption12
Section 4.03. Notice of Redemption.....12
Section 4.04. Partial Redemption of Certificate13
Section 4.05. Effect of Notice of Redemption13
Section 4.06. Purchase of Certificates13

ARTICLE V
INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement15
Section 5.02. Establishment of Installment Payment Fund15
Section 5.03. Deposits15
Section 5.04. Application of Moneys15
Section 5.05. Surplus15

ARTICLE VI
INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN

Section 6.01. Establishment of Insurance and Condemnation Fund	16
Section 6.02. Application of Net Proceeds of Eminent Domain Award	16
Section 6.03. Excess Net Proceeds.....	16
Section 6.04. Cooperation.....	16

ARTICLE VIII
MONEYS IN FUNDS; INVESTMENT

Section 7.01. Held in Trust.....	17
Section 7.02. Investments Authorized.....	17
Section 7.03. Accounting	17
Section 7.04. Allocation of Earnings	17
Section 7.05. Acquisition, Disposition and Valuation of Investments	18

ARTICLE VIII
THE TRUSTEE

Section 8.01. Appointment of Trustee	19
Section 8.02. Acceptance of Trusts	19
Section 8.03. Fees, Charges and Expenses of Trustee	22
Section 8.04. Notice to Certificate Owners of Default.....	23
Section 8.05. Intervention by Trustee	23
Section 8.06. Removal of Trustee	23
Section 8.07. Resignation by Trustee	23
Section 8.08. Appointment of Successor Trustee.....	23
Section 8.09. Merger or Consolidation	23
Section 9.10. Concerning any Successor Trustee	24

ARTICLE IX
MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 9.01. Amendments Permitted	25
Section 9.02. Procedure for Amendment with Written Consent of Certificate Owners	25
Section 9.03. Disqualified Certificates.....	26
Section 9.04. Effect of Supplemental Agreement.....	26
Section 9.05. Endorsement or Replacement of Certificates Delivered After Amendments	27
Section 9.06. Amendatory Endorsement of Certificates	27

ARTICLE X
COVENANTS

Section 10.01. Compliance With and Enforcement of Installment Sale Agreement.....	28
Section 10.02. Payment of Taxes	28
Section 10.03. Observance of Laws and Regulations	28
Section 10.04. Prosecution and Defense of Suits.....	28
Section 10.05. Further Assurances	28
Section 10.06. Filing	29
Section 10.07. Continuing Disclosure.....	29
Section 10.08. No Arbitrage	29
Section 10.09. Maintenance of Tax-Exemption	29
Section 11.10. Rebate Requirement.....	29

ARTICLE XI
LIMITATION OF LIABILITY

Section 11.01. Limited Liability of District	30
Section 11.02. No Liability of the Corporation for Trustee Performance.....	30
Section 11.03. Indemnification of Trustee.....	30
Section 11.04. Limitation of Rights to Parties and Certificate Owners.....	30

ARTICLE XII
EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 12.01. Assignment of Rights.....	31
Section 12.02. Remedies	31
Section 12.03. Application of Funds	31
Section 12.04. Institution of Legal Proceedings	32
Section 12.05. Non-waiver	32
Section 12.06. Remedies Not Exclusive.....	32
Section 12.07. Power of Trustee to Control Proceedings.....	32
Section 12.08. Limitation on Certificate Owners' Right to Sue.....	32
Section 12.09. Parties Interested Herein.....	33

ARTICLE XIII
MISCELLANEOUS

Section 13.01. Defeasance.....	34
Section 13.02. Records	35
Section 13.03. Notices	35
Section 13.04. Governing Law	35
Section 13.05. Binding Effect; Successors.....	35
Section 13.06. Execution in Counterparts	36
Section 13.07. Destruction of Canceled Certificates	36
Section 13.08. Headings.....	36
Section 13.09. Limitation of Rights to Parties and Certificates Owners.....	36
Section 13.10. Waiver of Notice.....	36
Section 13.11. Payment of Unclaimed Moneys.....	36
Section 13.12. Separability of Invalid Provisions.....	36

EXHIBIT A - DEFINITIONS

EXHIBIT B - FORM OF CERTIFICATE OF PARTICIPATION

TRUST AGREEMENT

This TRUST AGREEMENT, dated as of December 1, 2016, by and among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as seller under the Installment Sale Agreement hereinafter referred to (the "Corporation"), and the MID-PENINSULA WATER DISTRICT, a water district organized and existing under the Constitution and laws of the State of California, as purchaser under said Installment Sale Agreement (the "District");

W I T N E S S E T H

WHEREAS, the District and the Corporation have entered into an installment sale agreement (the "Installment Sale Agreement"), dated as of the date hereof, whereby the Corporation has agreed to sell certain improvements to the District's municipal water system (the "Project") to the District and the District has agreed to purchase the Project from the Corporation; and

WHEREAS, for the purpose of obtaining the moneys required to be deposited by it with the Trustee for financing the construction of the Project, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee and, in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation, each evidencing a direct, undivided fractional interest in the Installment Payments and Prepayments (each as hereinafter defined) to be made by the District, to provide the moneys required herein to be deposited by the Corporation;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION; EXHIBITS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Exhibit A attached hereto shall, for all purposes of this Trust Agreement, have the meanings therein specified.

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 Trust Agreement, and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.03. Content of Written Certificates. Every certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except the certificate of destruction pursuant to Section 13.07, shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate made or given by a District Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such District Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Trust Agreement:

- EXHIBIT A: DEFINITIONS
- EXHIBIT B: FORM OF CERTIFICATE OF PARTICIPATION

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. The Trustee is hereby authorized and directed upon written request from the Corporation to execute and deliver, to the Original Purchaser, Certificates in an aggregate principal amount _____ dollars (\$_____) evidencing undivided fractional interests in the Installment Payments and the Prepayments.

Section 2.02. Date. Each Certificate shall be dated as of the Closing Date.

Section 2.03. Maturity; Interest Rates. The Certificates shall mature on December 1 in the years and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>	<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
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Section 2.04. Interest. Interest with respect to the Certificates shall be payable semiannually on each Interest Payment Date, commencing June 1, 2017, to and including the date of final principal payment (or provision therefor pursuant to Section 12.01 hereof) or redemption, whichever is earlier, computed on the basis of a 360-day year comprised of twelve 30-day months. Said interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Certificates. The portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate.

Interest with respect to any Certificate shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless (i) such Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) such Certificate is executed after the close of business on the fifteenth (15th) day of the month immediately preceding the following Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) such Certificate is executed on or before May 15, 2017, in which event interest shall be payable from the Closing Date; *provided, however*, that if at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest with respect to any Certificate shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the fifteenth (15th) day of the month preceding such Interest Payment Date, such interest to be paid by check or draft mailed by first class mail to such Owner at his address as it appears on such registration books.

Section 2.05. Form of Certificates; Legends. The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, except that no Certificate may have principal maturing in more than one year. The Certificates shall be numbered in such manner as the Trustee deems appropriate. The Certificates shall be substantially in the form set forth in Exhibit B attached hereto and by this reference incorporated herein. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

Section 2.06. Execution. The Certificates shall be executed by and in the name of the Trustee, at the written direction of the Corporation, by the manual signature of an authorized signatory of the Trustee.

Section 2.07. Application of Proceeds. The net proceeds received by the Trustee from the sale of the Certificates in the aggregate amount of \$_____, being the face amount of the Certificates (\$_____), less an underwriter's discount of \$_____, plus a net original premium of \$_____, shall forthwith be deposited or transferred by the Trustee as follows:

- (a) The Trustee shall deposit in the Delivery Costs Fund an amount equal to \$_____; and
- (b) The Trustee deposit in the Project Fund an amount equal to \$_____.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

Section 2.08. Transfer and Exchange.

(a) *Transfer of Certificates.* Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.12 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate shall be surrendered for transfer, the Trustee shall deliver a new Certificate or Certificates of the same maturity, interest rate and aggregate principal amount to the transferee thereof. The Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption, or of any Certificate selected for redemption.

(b) *Exchange of Certificates.* Certificates may be exchanged at the Principal Corporate Trust Office, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchange of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption, or of any Certificate selected for redemption.

Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like maturity and principal amount in exchange and substitution for

the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed in accordance with Section 13.07 hereof, and the Trustee shall deliver a certificate of destruction to the District. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section 2.09 and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate delivered under the provisions of this Section 2.09 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any substitute Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder; the Trustee shall consider only the substitute Certificate as Outstanding for such purpose. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee.

Section 2.10. Payment. Except as otherwise provided herein, payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check or draft mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check or draft denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Section 2.11. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a

partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

(b) The fact of the holding of Certificates by any Owner and the amount, the maturity and the numbers of such Certificates and the date of his holding the same may be proved by reference to the Certificate Register maintained by the Trustee provided for in Section 2.12 hereof. The Trustee may conclusively assume that such ownership continues until transfer as provided in Section 2.08(a) hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.12. Certificate Register. The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office, sufficient books for the registration and transfer of the Certificates which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trustee to inspection by the District and the Corporation; 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 said books, Certificates as hereinbefore provided.

Section 2.13. CUSIP Numbers. The Trustee, the District and the Corporation shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, the District nor the Corporation shall be liable for any inaccuracies in such numbers.

Section 2.14. Use of Depository. Notwithstanding any provision of this Trust Agreement to the contrary:

(a) At the request of the Original Purchaser, the Certificates shall be initially executed and delivered registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one Certificate maturing on each of the maturity dates set forth in Section 2.03 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

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

(ii) to any substitute depository designated in a written request of the District, upon (i) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (ii) a determination by the District that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute

depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the District that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the District and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of a District Representative to the Trustee, a single new Certificate shall be executed and delivered for each maturity of such Certificate then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of a District Representative. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee together with a written request of a District Representative, new Certificates shall be executed and delivered in such denominations and registered in the names of such persons as are requested in a written request of the District provided the Trustee shall not be required to deliver such new Certificates within a period less than sixty (60) days from the date of receipt of such a written request of a District Representative.

(c) In the case of partial redemption or an advance refunding of any Certificates evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the District's expense, deliver the Certificates to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The District and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the absolute Owner thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District and the District and the Trustee shall have no responsibility for the accuracy of any records maintained by DTC or any participant in DTC or transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Certificates. Neither the District nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Certificate.

(e) So long as all outstanding Certificates are registered in the name of Cede & Co. or its registered assign, the District and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due with respect to the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Certificates are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Certificates' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of Blanket Issuer Letter of Representations executed by the District and received and accepted by The Depository Trust Company.

ARTICLE III

PROJECT FUND; DELIVERY COSTS FUND

Section 3.01. Project Fund. The Trustee shall establish a special fund designated as the "Project Fund;" shall keep such fund separate and apart from all other funds and moneys held by the Trustee; and shall administer such fund as provided herein. There shall be deposited in the Project Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(b) hereof and any other funds from time to time deposited with the Trustee for such purpose.

Section 3.02. Payment of Project Costs.

(a) Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a District Representative. Each such requisition shall:

(i) set forth the account within the Project Fund from which such disbursement is to be made;

(ii) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;

(iii) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Corporation or the District, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(iv) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee pursuant to this Section 3.02;

(v) state that there has been compliance with Section 5.09 of the Installment Sale Agreement relating to the private business use limitation and the private loan limitation;

(vi) state that the amount remaining in the Project Fund, together with interest earnings thereon or deposited therein, will, after payment of the amount set forth in the requisition requesting disbursement, be sufficient to pay all remaining Project Costs as then estimated;

(vii) if such requisition relates to disbursement for a construction portion of the Project, state that (A) insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the District, and (B) that an identified percentage of the Project has been completed; and

(viii) if such requisition relates to payment to a contractor, state that no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 7.02 hereof) of the moneys held in the Project Fund and the payment thereof in accordance with this Section 3.02, but the Trustee shall not be responsible for such requisitions.

Section 3.03. Delivery Costs Fund. The Trustee shall establish a special fund designated as the "Delivery Costs Fund;" shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(a) hereof and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

Section 3.04. Payment of Delivery Costs.

(a) The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs.

(b) The Trustee shall disburse moneys in the Delivery Costs Fund only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, signed by a District Representative setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund.

(c) The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 7.02 hereof) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with this Section 3.04, but the Trustee shall not be responsible for such requisitions.

(d) Upon written notice from a District Representative that all Delivery Costs have been paid, but in no event later than February __, 2017, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Project Fund, the Delivery Costs Fund shall be closed and the Trustee shall no longer be obligated to make payments for Delivery Costs.

Section 3.05. Transfers of Unexpended Proceeds. The Trustee is hereby directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a District Representative to be required for payment of Project Costs or other capital improvements to the Water System shall, on the date of notification by the District to the Trustee of completion of the Project, be transferred to the Installment Payment Fund and applied to pay the Installment Payments as the same become due and payable.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption.

(a) *Generally.* The Certificates shall not be subject to redemption prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) *Redemption From Net Proceeds of Insurance and Condemnation.* The Certificates are subject to redemption in whole on any date and in part on any Interest Payment Date from the Net Proceeds of any insurance or condemnation award deposited in the Installment Payment Fund and credited towards the Prepayment made by the District pursuant to Section 9.03 of the Installment Sale Agreement, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

(c) *Optional Redemption.* In addition, Certificates maturing on or after December 1, ____, are subject to redemption in whole or in part on any date on or after December 1, ____, at the principal amount with respect thereto, together with accrued interest to the date fixed for redemption from the proceeds of optional Prepayments made by the District pursuant to the Installment Sale Agreement, without premium.

(d) *Mandatory Redemption.*

(i) The Certificates maturing on December 1, ____, are subject to mandatory redemption in part on December 1, ____, and on each December 1 thereafter, to and including December 1, ____, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to Section 4.04 of the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
------------------------------------	--

†Maturity.

In the event that the Trustee shall redeem Certificates maturing on December 1, ____, in part but not in whole pursuant to subsections (b) or (c) of this Section 4.01, the amount of the Certificates to be redeemed in each subsequent year pursuant to this subsection (d)(i) shall be reduced to correspond to the principal components of the Installment Payments prevailing following such redemption as determined pursuant to Section 4.04(b) of the Installment Sale Agreement.

(ii) The Certificates maturing on December 1, ____, are subject to mandatory redemption in part on December 1, ____, and on each December 1 thereafter, to and including December 1, ____, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to Section 4.04 of the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal

to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (December 1)	Principal Amount of Certificates to be Redeemed
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†Maturity.

In the event that the Trustee shall redeem Certificates maturing on December 1, _____, in part but not in whole pursuant to subsections (b) or (c) of this Section 4.01, the amount of the Certificates to be redeemed in each subsequent year pursuant to this subsection (d)(ii) shall be reduced to correspond to the principal components of the Installment Payments prevailing following such redemption as determined pursuant to Section 4.04(b) of the Installment Sale Agreement.

Section 4.02. Selection of Certificates for Redemption. Whenever provision is made in this Trust Agreement for the redemption of Certificates and less than all Outstanding Certificates are called for redemption, the Trustee shall select Certificates for redemption in any order of maturity selected by the District (and if not selected by the District, pro rata among maturities) and by lot within a maturity. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates so selected for redemption.

Section 4.03. Notice of Redemption. Notice of any such redemption shall be given by the Trustee on behalf and at the expense of the District by mailing a copy of a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate Register maintained by the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Certificates are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed, (iv) that on the redemption date the redemption price will become due and payable with respect to each such Certificate or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners and to an Information Services to the effect that the redemption did not occur as anticipated, and the Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of this Trust Agreement.

Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Certificate, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the unredeemed principal. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be reissued and shall be destroyed pursuant to Section 13.07.

In addition to the foregoing notice, notice shall be given by the Trustee by telecopy, registered, certified or overnight mail, to an Information Service on the date such notice is mailed to the Owners, which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the District shall not be liable in any way for inaccuracies in said numbers.

Section 4.04. Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Section 4.05. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificates to be redeemed shall become due and payable on said Interest Payment Date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus redemption premium, if any, and any unpaid and accrued interest to said Interest Payment Date.

If, on said Interest Payment Date, moneys for the redemption of all the Certificates to be redeemed, together with interest to said Interest Payment Date, shall be held by the Trustee so as to be available therefor on such Interest Payment Date, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after said Interest Payment Date, interest with respect to the Certificates to be redeemed shall cease to accrue and become payable. If said moneys shall not be so available on said Interest Payment Date, interest with respect to such Certificates shall continue to be payable at the same rates as it would have been payable had the Certificates not been called for redemption. All moneys held by or on behalf of the Trustee for the redemption of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed. The Trustee shall not be liable for any interest earned on the amounts so held.

Section 4.06. Purchase of Certificates. In lieu of redemption of Certificates as provided in this Article IV, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next

scheduled Interest Payment Date of the written request of a District Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct. Such purchases may be effected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Certificates of the same maturity purchased in lieu of redemption pursuant to this Section 4.05 shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such redemption. Remaining moneys, if any, shall be deposited in the Installment Payment Fund.

ARTICLE V

INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement. The Corporation has, pursuant to the Assignment Agreement, transferred, assigned and set over to the Trustee all of its rights, title and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.06, 7.03 and 9.04 thereof and its rights to give approvals and consents thereunder), including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments, the Prepayments and all other amounts required to be deposited in the Installment Payment Fund pursuant to the Installment Sale Agreement or pursuant hereto. All Installment Payments, Prepayments and such other amounts which the Corporation may at any time be entitled to shall be paid directly to the Trustee and all Installment Payments collected or received by the Corporation shall be deemed to be held or to have been collected or received by the Corporation as agent of the Trustee.

Section 5.02. Establishment of Installment Payment Fund. The Trustee shall establish a special fund designated as the "Installment Payment Fund". All moneys at any time deposited by the Trustee in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Installment Payment Fund all Installment Payments and Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to Sections 4.06, 5.05, 6.01 or Article X of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

Section 5.04. Application of Moneys. All amounts in the Installment Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying principal, interest and redemption premiums (if any) with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II hereof.

Section 5.05. Surplus. Any surplus remaining in the Installment Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

ARTICLE VI

INSURANCE AND CONDEMNATION FUND;
INSURANCE; EMINENT DOMAIN

Section 6.01. Establishment of Insurance and Condemnation Fund. Application of Net Proceeds of Insurance Award;. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Project collected by the District in the event of any such accident or destruction shall be transferred by the District to the Trustee pursuant to Section 6.01 of the Installment Sale Agreement and the Trustee shall deposit such moneys in a special fund designated as the "Insurance and Condemnation Fund" to be applied and disbursed by the Trustee as provided in Section 6.01(a) of the Installment Sale Agreement.

Section 6.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Project shall be taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be transferred by the District to the Trustee for deposit in the Insurance and Condemnation Fund pursuant to Section 6.01(b) of the Installment Sale Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the District to meet any of its obligations under the Installment Sale Agreement, and if the District determines that such proceeds are: (i) not needed for repair, replacement or rehabilitation of the Project, upon receipt of a written certificate from the District the Trustee shall transfer such proceeds to the Installment Payment Fund to be credited towards the Prepayments required to be paid pursuant to Section 9.03 of the Installment Sale Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof, or (ii) needed for repair or rehabilitation of the Project, upon receipt of a written certificate from the District the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the requisitions of the District Representative.

(b) If (i) less than all of the Project shall have been taken in such eminent domain proceedings, and if the District determines that such eminent domain proceedings have materially affected the operation of the Project or the ability of the District to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Project shall have been taken in such eminent domain proceedings, then upon receipt of written instruction from the District the Trustee shall transfer such proceeds to the Installment Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 9.03 of the Installment Sale Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof.

Section 6.03. Excess Net Proceeds. After all of the Certificates have been retired and the entire amount of principal, interest and any redemption premiums with respect to the Certificates and any remaining fees and expenses of the Trustee have been paid in full, the Trustee shall transfer any remaining funds to the District.

Section 6.04. Cooperation. The Corporation shall cooperate with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Installment Sale Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof.

ARTICLE VIII

MONEYS IN FUNDS; INVESTMENT

Section 7.01. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Corporation, the Trustee (except as provided in Section 8.03 below) or the District or any Owner of Certificates, or any of them until after the Certificates have been paid in full.

Section 7.02. Investments Authorized. Moneys held by the Trustee hereunder shall, upon written order of a District Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a District Representative as Permitted Investments without independent investigation thereof. If a District Representative shall fail to so direct investments, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 7.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section 7.02, to deal with itself (in its individual capacity) or with 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 dealing as principal for its own account. The Trustee may rely on the investment directions of the District Representative as to both the suitability and legality of the directed investments.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 7.03. Accounting. The Trustee shall furnish to the District a monthly accounting in statement form of all investments, transactions and disbursements made by the Trustee. The Trustee may commingle, at its sole discretion, any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; *provided, however*, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.04. Allocation of Earnings. All interest or income received by the Trustee on investment of the Installment Payment Fund shall, prior to completion of the Project, be transferred to the Project Fund and thereafter shall be retained in the Installment Payment Fund and be applied as a credit against Installment Payments. All interest or income received by the Trustee on investment of the Installment Payment Fund shall as received, be retained in the Installment Payment Fund. Amounts retained or deposited in the Installment Payment Fund pursuant to this Section 7.04 shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date

following the date of deposit. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to Section 3.04 hereof.

Section 7.05. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 7.05, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code; provided that the District shall inform the Trustee which funds are subject to a yield restriction.

(c) For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least semiannually at the market value thereof. In determining the market value of investments hereunder, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it. The Trustee may sell or present for prepayment, 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 Permitted Investments.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Appointment of Trustee. The Trustee is hereby appointed trustee, registrar and paying agent by the Corporation and the District 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 Trust Agreement. The Corporation and the District agree that they will maintain a Trustee which shall be a corporation or association organized and doing business under the laws of any state of the United States of America or the District of Columbia or under federal law of the United States, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Certificates are Outstanding. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 8.01, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 8.01, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.07.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity, or on redemption and to cancel all Certificates upon payment thereof. The Trustee shall keep records in accordance with corporate trust industry standards of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered pursuant to the provisions of this Trust Agreement.

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

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Trust Agreement and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

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

(c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys, receivers or agents and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder and shall be absolutely protected in relying thereon. The Trustee shall not be responsible for the misconduct of such persons selected by it with reasonable care.

(d) The Trustee shall not be responsible for any recital herein, in the Assignment Agreement or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates delivered hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the District under the Installment Sale Agreement.

(e) The Trustee shall not be accountable for the use of any Certificates delivered hereunder or the proceeds thereof. The Trustee, in its individual or any other capacity, may become the Owner or pledgee of Certificates secured hereby with the same rights which it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a 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 Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(f) In the absence of bad faith on its part, the Trustee shall be protected in acting or refraining from acting upon any notice, request, consent, requisition, certificate, order, affidavit, facsimile, letter, telegram or other paper or document believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith pursuant to this Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates executed and delivered in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such person is the registered owner as shown on the Registration Books.

(g) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by a Corporation Representative or a District Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Trustee may accept a certificate of a Corporation Representative or a District Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the District, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(h) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees, affiliates and agents.

(i) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the District to make any of the Installment Payments to the Trustee required to be made by the District pursuant to the Installment Sale Agreement or failure by the Corporation or the District to file with the Trustee any document required by this Trust Agreement or a Installment Sale Agreement to be so filed by a certain date subsequent to the delivery of the Certificates, unless the Trustee shall be specifically notified in writing of such default by the Corporation, the District or by the Owners of at least five percent (5%) in aggregate principal amount of Certificates then Outstanding and all notices

or other instruments required by this Trust Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Trust Agreement with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Trust Agreement, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the District to the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Article VII of this Trust Agreement.

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

(n) Before taking any action under Article IX hereof or this Section 8.02 at the request or direction of the Certificate Owners, the Trustee may require payment or reimbursement of its reasonable fees and expenses, including reasonable fees and expenses of counsel and receipt of an indemnity bond satisfactory to it from the Certificate Owners to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

(o) Under no circumstances shall the Trustee be liable for the obligations evidenced by the Certificates.

(p) The Trustee shall not be accountable for the use or application by the District or the Corporation or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(q) The Trustee has no obligation or duty to insure compliance by the District with the Code.

(r) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal or environmental requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness

for the use contemplated by the District or the Corporation of the Property. 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 Trust Agreement for the existence, furnishing or use of the Property.

(s) The Trustee makes no representations as to the validity or sufficiency of the Certificates and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall not be responsible for the validity or sufficiency of the Installment Sale Agreement or the assignment under the Assignment Agreement. The Trustee shall not be liable for the sufficiency or collection of any Installment Payments or other moneys required to be paid to it under the Installment Sale Agreement (except as provided in this Trust Agreement), its right to receive moneys pursuant to the Installment Sale Agreement, or the value of or title to the premises upon which the Property is located or the Property. The Trustee makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Certificates.

(t) In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the District or the Corporation having any claim against the Trustee arising from this Trust Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein.

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

(v) The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District or the Corporation elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. 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 instructions conflict or are inconsistent with a subsequent written instruction. The District and the Corporation agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions 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.

(w) In acting or omitting to act pursuant to the Installment Sale Agreement or any other document contemplated or executed in connection herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement and the Installment Sale Agreement, including, but not limited to, this Article IX.

Section 8.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and expenses (including the allocated costs of in-house counsel) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Trustee shall have a first and prior lien on

the funds held hereunder to secure the same. The Trustee's rights hereunder, including its rights under Section 11.03 hereof, shall survive its resignation or removal and final payment of the Certificates.

Section 8.04. Notice to Certificate Owners of Default. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice pursuant to Section 8.02, then the Trustee shall, within ninety (90) days of the occurrence thereof, give written notice thereof by first class mail to the Owner of each Certificate, unless such Event of Default shall have been cured before the giving of such notice.

Section 8.05. Intervention by Trustee. In any judicial proceeding to which the Corporation or the District is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of the Certificates, the Trustee may intervene on behalf of the Certificate Owners and shall do so if requested in writing by the Owners of at least twenty-five percent (25%) of the aggregate principal amount of Certificates then Outstanding, provided the Trustee shall have no duty to take such action unless it has received payment or reimbursement and has been indemnified to its satisfaction as provided in Section 8.02(n) hereof against all risk or liability arising from such action.

Section 8.06. Removal of Trustee. Upon thirty (30) days' notice, the District (so long as no Event of Default shall have occurred and be continuing), the Owners of at least a majority of the aggregate principal amount of Certificates then Outstanding may, with the consent of the Corporation, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Corporation, and may appoint a successor or successors thereto; provided that any such successor shall be a Corporation or association meeting the requirements set forth in Section 8.01 hereof.

Section 8.07. Resignation by Trustee. The Trustee and any successor Trustee may, at any time, resign by giving thirty (30) days' written notice by registered or certified mail to the District and the Corporation.

Section 8.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 9.06 or 9.07 hereof, the District shall promptly appoint a successor Trustee. In the event the District shall, for any reason whatsoever, fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in Section 8.06 hereof or within thirty (30) days following the receipt of notice by the District pursuant to Section 8.07 hereof, the Trustee may apply to a court of competent jurisdiction at the expense of the District for the appointment of a successor Trustee meeting the requirements of Section 8.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such thirty (30) day period. The resignation or removal of the Trustee shall not become effective until the appointment and acceptance of the successor Trustee pursuant to Section 9.10 below.

Section 8.09. Merger or Consolidation. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 8.01 hereof, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also the Corporation and the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the District, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Upon such acceptance, the District shall mail, or cause the mailing of, notice thereof to the Certificate Owners at their respective addresses set forth on the Certificate Register. Should any instrument in writing from the District be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the District. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article IX, shall be filed or recorded by the successor Trustee in each recording office where the Assignment Agreement shall have been filed or recorded, if applicable.

ARTICLE IX
MODIFICATION OR AMENDMENT OF
AGREEMENTS

Section 9.01. Amendments Permitted. This Trust Agreement and the rights and obligations of the Owners of the Certificates, the Installment Sale Agreement and the rights and obligations of the parties thereto, and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.03 hereof, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate; or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Installment Sale Agreement; or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 9.02 hereof.

This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the District; (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Installment Payments and the interest payable with respect to the Certificates; (5) to add to the rights of the Trustee; or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto, as the case may be.

This Trust Agreement and the Installment Sale Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

The Trustee may request an opinion of Independent Counsel that any amendment entered into hereunder complies with the provisions of this Article IX and the Trustee may rely conclusively on such opinion.

Section 9.02. Procedure for Amendment with Written Consent of Certificate Owners. This Trust Agreement and the Installment Sale Agreement may be amended by supplemental agreement as provided in this Section 9.02 in the event the consent of the Owners of the Certificates is required pursuant to Section 9.01 hereof. A copy of such supplemental agreement (or a summary thereof), together with a request to the Certificate Owners for their consent

thereto, shall be mailed by first class mail, postage prepaid, by the Trustee at the expense of the District, to each Owner of a Certificate at his address as set forth on the Registration Books, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section 9.02 provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 9.03 hereof) and a notice shall have been mailed as hereinafter in this Section 9.02 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.11 hereof. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in the following paragraph of this Section 9.02 provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail by first class mail, postage prepaid, a notice at the expense of the District, to the Owners of the Certificates in the manner hereinbefore provided in this Section 9.02 for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section 9.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section 9.02 to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 9.03. Disqualified Certificates. Certificates owned or held by or for the account of the District or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement, unless all Certificates Outstanding hereunder are so owned or held; *provided, however,* that the Trustee shall not be liable for determining whether Certificates are owned or held by the District or any such other person unless such Certificates are registered in the name of the District or, to the extent actually identified as directly or indirectly controlled or controlled by, or under direct or indirect common control with the District, such other person on the Registration Books.

Section 9.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article IX, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates 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 supplemental agreement shall be deemed to be part of

the terms and conditions of this Trust Agreement or the Installment Sale Agreement, as the case may be, for any and all purposes.

The District may adopt appropriate regulations to require each Certificate Owner, before his consent provided for in this Article IX shall be deemed effective, to reveal the Certificates as to which such consent is given are disqualified as provided in Section 9.03.

Section 9.05. Endorsement or Replacement of Certificates Delivered After Amendments. The District may determine that Certificates delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for the purpose at the Principal Corporate Trust Office, a suitable notation shall be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Certificate Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate shall be exchanged in the Principal Corporate Trust Office, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Section 9.06. Amendatory Endorsement of Certificates. The provisions of this Article IX shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

ARTICLE X
COVENANTS

Section 10.01. Compliance With and Enforcement of Installment Sale Agreement. The District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Installment Sale Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Installment Sale Agreement.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Installment Sale Agreement by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District or the Corporation, will deliver the same, or a copy thereof, to the Trustee.

Section 10.02. Payment of Taxes. The District will, subject to any right of challenge thereof, pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Project or any part thereof, promptly as and when the same shall become due and payable; and the District will keep the Trustee advised in writing of such payments. The District will not suffer the Project, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Section 10.03. Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Water System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District with respect to the Water System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 10.04. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any Certificate Owner holding at least 25% in principal amount of the Certificates from time to time, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 10.05. Further Assurances. The Corporation, the District and the Trustee (at the cost and request of the District or the Corporation) will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 10.06. Filing. The District shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect or renew the security interests created by this Trust Agreement. Neither the Trustee nor the Corporation shall be responsible for such filing.

Section 10.07. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificates. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 10.08. No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Installment Sale Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 10.09. Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 11.10. Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government. The Trustee shall not be responsible to enforce compliance by the District with such rebate requirements.

ARTICLE XI

LIMITATION OF LIABILITY

Section 11.01. Limited Liability of District. Except for the payment of Installment Payments and Prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in said Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee except as expressly set forth herein.

Section 11.02. No Liability of the Corporation for Trustee Performance. Neither the District nor the Corporation shall have any obligation or liability to the other party or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon the Trustee under this Trust Agreement.

Section 11.03. Indemnification of Trustee. The District shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of in-house counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Project by the Corporation or the District, (ii) any breach or default on the part of the Corporation or the District in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Project, (iii) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees or licensees with respect to the Project, (iv) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Project, (v) the acquisition, construction, installation and equipping of the Project or the authorization of payment of Delivery Costs, (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Project by the Corporation or the District, (vii) the Trustee's exercise and performance of its powers and duties hereunder or pursuant to the Assignment Agreement and the Installment Sale Agreement, (viii) the offering and sale of the Certificates, or (ix) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. No indemnification will be made under this Section 11.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trustee, its officers or employees. The District's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Section 11.04. Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee and said Owners.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 12.01. Assignment of Rights. Pursuant to the Assignment Agreement, the Corporation transfers, assigns and sets over to the Trustee all of the Corporation's rights under the Installment Sale Agreement (excepting only the Corporation's rights under Sections 5.06, 7.03 and 9.04 thereof), including without limitation the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Installment Sale Agreement as may be necessary or convenient (i) to enforce payment of the Installment Payments, Prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

Section 12.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its reasonable fees and expenses, including reasonable counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Installment Sale Agreement.

Upon the occurrence of an Event of Default, the Trustee may, and shall, at the direction of the Owners of a majority of the principal amount of Certificates then Outstanding, by written notice to the District, declare the principal of the Installment Payments to be immediately due and payable, whereupon that portion of the principal of the Installment Sale Agreement thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Installment Payments to the contrary notwithstanding.

Remedies shall be cumulative with respect to the Trustee and the Owners. If any remedial action is discontinued or abandoned, the Trustee and the Owners shall be restored to their former positions.

Section 12.03. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XII or of Article VII of the Installment Sale Agreement, shall be applied by the Trustee in the order following upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid -

First, to the payment of the costs and expenses of the Trustee hereunder (including, but not limited to, the fees, costs and expenses of itself and its counsel) and, after such payment to the Trustee, of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel (including the allocated costs of in-house counsel), together with interest on all such amounts advanced as provided in Section 8.02; and

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following

payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 12.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual to enforce any of its rights or duties hereunder.

Section 12.05. Non-waiver. Nothing in this Article XII or in any other provision of this Trust Agreement or in the Certificates, shall affect or impair the obligation of the District to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XII to the Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 12.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 12.07. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 12.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and

liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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 Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 12.08 or any other provision of this Trust Agreement.

Section 12.09. Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Corporation and the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of this Trust Agreement, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation and the Trustee, their officers, employees and agents, and the Owners.

SECTION 10.0ARTICLE XIII

MISCELLANEOUS

Section 13.01. Defeasance. If all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal with respect to and interest with respect to all Certificates Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund, is fully sufficient to pay all Certificates Outstanding, including all principal and interest;

(c) by irrevocably depositing with the Trustee or an escrow agent (on terms satisfactory to the Trustee), in trust, cash or Defeasance Obligations in such amount as an independent nationally recognized certified public accountant shall determine in a written report delivered to the Trustee or escrow agent will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund, if required, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Certificates (including all principal and interest) at or before their respective maturity dates; or

(d) by depositing with the Trustee, under an escrow deposit and trust agreement, security for the payment of Installment Payments as more particularly described in Section 9.05 of the Installment Sale Agreement, said security to be held by the Trustee, as agent for the District, and to be applied by the Trustee to Installment Payments representing the obligation of the District under the Installment Sale Agreement, as described in Section 9.05 of the Installment Sale Agreement;

notwithstanding that any Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of the Certificates and all obligations of the Corporation, the Trustee and the District under this Trust Agreement with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from deposits pursuant to paragraphs (b) through (d) of this Section 13.01, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section 13.01, the Certificates shall continue to represent direct, undivided and fractional interests of the Owners thereof in Installment Payments under the Installment Sale Agreement.

Any funds held by the Trustee, at the time of one of the events described above in subsections (a) through (d) above, which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the District (including attorneys' fees, including those allocated to in-house counsel), shall be paid over to the District.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) or (b) of this Section 13.01, which are not required for the payment to be made to Owners, shall, after payment of all fees and expenses of the Trustee, including attorneys' fees (including allocated costs of internal counsel), be paid over to the District.

Corporation, 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 13.06. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 13.07. Destruction of Canceled Certificates. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the District of any Certificates, the Trustee may, in lieu of such cancellation and delivery, destroy such Certificates and, upon request of the District, deliver a certificate of such destruction to the District.

Section 13.08. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 13.09. Limitation of Rights to Parties and Certificates Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the District, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the District, the Trustee and the Owners of the Certificates delivered hereunder.

Section 15.10. Waiver of Notice. Whenever in this Trust Agreement 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 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.

Section 15.11. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trustee in trust for the payment of the principal or interest due with respect to any Certificates and remaining unclaimed after two (2) years, shall, on such date, be repaid to the District free from the trusts created by this Trust Agreement 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 District as aforesaid, the Trustee may (at the cost and request of the District) first mail to the Owners to whom such amounts 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 amounts so payable and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. The Trustee shall not be liable for any interest on funds held by it. The District shall not be liable for any interest on the sums paid to it pursuant to this Section 15.11 and shall not be regarded as a trustee of such money.

Section 15.12. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never

been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By _____
Name _____
Title _____

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

By _____
William A. Morton
Secretary/Treasurer

MID-PENINSULA WATER DISTRICT

By _____
Tammy A. Rudock
General Manager

EXHIBIT A

DEFINITIONS

"Acquisition Agreement" means the Acquisition Agreement, dated as of December 1, 2016, by and between the District and the Corporation, together with any duly authorized and executed amendments thereto.

"Additional Payments" means the payments so designated and required to be paid by the District pursuant to Section 4.09 of the Installment Sale Agreement.

"Assignment Agreement" means the agreement by that name, dated as of December 1, 2016, by and between the Corporation and the Trustee, together with any amendments or supplements thereto.

"Board" means the Board of Directors of the District.

"Bond Counsel" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District 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 Code.

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located are closed or are required to close or a day on which the New York Stock Exchange is closed.

"Certificate Register" means the registration books relating to the Certificates maintained by the Trustee in accordance with Section 2.12 of the Trust Agreement.

"Certificates" means the Certificates of Participation executed and delivered pursuant to the Trust Agreement.

"District" means the Mid-Peninsula Water District, a water district duly organized and existing under the Constitution and laws of the State.

"District Representative" means the President, the Vice President, the General Manager, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the District under or with respect to the Installment Sale Agreement and the Trust Agreement.

"Closing Date" means December 1, 2016, the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase of the Certificates by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Installment Sale Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

"Corporation" means the Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under the laws of the State.

“Corporation Representative” means the President, the Executive Director and the Treasurer of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Corporation under or with respect to the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement.

“Debt Service” means the scheduled amount of interest and amortization of principal payable with respect to the Certificates during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning or during such period.

“Defeasance Obligations” means (a) cash, (b) non callable direct obligations of the United States of America (“Treasuries”), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (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.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Acquisition Agreement, the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Delivery Costs Fund” means the fund by that name established pursuant to Article III of the Trust Agreement and held by the Trustee.

“Event of Default” means an event of default under the Installment Sale Agreement, as defined in Section 9.01 thereof.

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

"Federal Securities" means (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above 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 obligator and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"Fiscal Year" means any period of twelve (12) consecutive months established by the District as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

"Gross Water System Revenues" means all gross income and revenue received by the District from the ownership and operation of the Water System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, (b) 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 pursuant to the law to the Water System, (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted in the Installment Sale Agreement, and (d) all investment earnings credited by the Trustee under the Trust Agreement to the Installment Payment Fund; *provided, however*, that the term "Gross Water System Revenues" shall not include customers' deposits or any other deposits subject to refund until such deposits have become the property of the District.

"Independent Counsel" means an attorney or a firm of attorneys duly admitted to the practice of law before the highest court of the state in which he or such firm maintains an office and who is not an employee of the Corporation, the Trustee or the District.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

"Installment Payment" means any payment required to be paid by the District to the Corporation pursuant to Section 4.04 of the Installment Sale Agreement.

"Installment Payment Date" means the 15th day of each May and November, commencing May 15, 2017.

"Installment Payment Fund" means the fund by that name established and held by the Trustee pursuant to Article V of the Trust Agreement.

"Installment Sale Agreement" means the agreement by that name, dated as of December 1, 2016, by and between the Corporation and the District, and any duly authorized and executed amendment or supplement thereto.

“Insurance and Condemnation Fund” means the fund by that name established pursuant to Article VII of the Trust Agreement and held by the Trustee.

“Interest Payment Date” means June 1 and December 1 of each year, commencing June 1, 2017.

“Moody’s” means Moody’s Investors Service, New York, New York, or its successors.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means Gross Water System Revenues less Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means, for any period, all reasonable and necessary costs paid or incurred by the District during such period for maintaining and operating the Water System and delivering or providing Water Service thereunder, determined in accordance with generally accepted accounting principles, including all costs of water produced or purchased by the District for resale through the Water System, and including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Installment Sale Agreement, the Trust Agreement or of any resolution authorizing the execution of any Installment Purchase Contract or of any such Installment Purchase Contract or of any resolution authorizing the issuance of any Bonds or of any such Bonds, such as compensation, reimbursement and indemnification of the trustee, seller or lessor for any such Installment Purchase Contracts or Bonds and the fees of any Independent Certified Public Accountants or Independent Engineers, but excluding in all cases, depreciation, replacement and obsolescence charges or reserve therefor and amortization of intangibles.

“Original Purchaser” means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 9.03 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

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

(b) Certificates for the payment or redemption of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 4.03 of the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.09 of the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate”, or any similar term, means the person in whose name a Certificate shall be registered.

“Parity Debt” means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.

“Permitted Encumbrances” means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Article V of the Installment Sale Agreement, permit to remain unpaid; (b) the Installment Sale Agreement and the assignment of the Corporation’s interests in the Installment Sale Agreement pursuant to the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law and (d) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of the Installment Sale Agreement.

“Permitted Investments” means any of the following, but only to the extent that the same are acquired at Fair Market Value, provided that the Trustee is entitled to rely upon any investment direction received by it hereunder as a certification that such investment constitutes a Permitted Investment hereunder:

(a) direct 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) or obligations the timely payment of which are fully guaranteed by the United States of America or any certificates, receipts, securities or other obligations evidencing ownership or the right to receive a specified portion of payments to be made on any such security;

(b) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Farm Credit Bank, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; or by any agency, department or instrumentality of the United States if such obligations are rated within the top two ratings of a nationally recognized rating service;

(c) bonds of the State or of any county or city or other political subdivision of the State, and other obligations the interest on which is excluded from gross income for federal income tax purposes, for which a nationally recognized rating service is maintaining a rating within the top two ratings of such rating service;

(d) repurchase agreements with banks (including the Trustee), lead banks of parent holding companies, or savings and loan associations, with a combined capital and surplus aggregating at least fifty million dollars (\$50,000,000) and the unsecured securities of which are rated by a nationally recognized rating service within the top two ratings of such rating service, or secured by a letter of credit issued by such bank, lead bank or savings and loan association, or the underlying securities of which are obligations described in clause (a) or (b) of this definition provided that such collateral security continuously has a market value (valued at least quarterly) at least equal to the repurchase price from time to time payable with respect thereto, so long as such underlying obligations or securities are in the possession of the Trustee and provided further that, as evidenced by an opinion of counsel, the Trustee shall have a perfected security interest in such collateral security, free and clear of any third-party claims;

(e) interest-bearing banker's acceptances, investment agreements, demand or time deposits (including certificates of deposit) and guaranteed investment contracts in or with banks (including the Trustee and its affiliates), and savings and loan associations, provided such deposits are either (i) secured at all times, in the manner and to the extent provided by law, by collateral security (described in clauses (a) or (b) of this definition) of a market value of no less than the amount of moneys so invested or (ii), in or with banks (including the Trustee) or savings and loan associations having a combined capital and surplus of at least fifty million dollars (\$50,000,000) and whose rating, or the rating of its parent holding company, is within the top two ratings of a nationally recognized rating service or (iii) fully insured by the Federal Deposit Insurance Corporation;

(f) Investment agreements with any nationally or state-chartered bank, financial institution, insurance company, trust company, or any other publicly traded corporation which has long-term debt obligations rated in one of the two highest rating categories of a nationally recognized rating service;

(g) taxable government money market funds (including funds for which the Trustee or its affiliates provide investment advisory or other management services) rated in the highest rating category by S&P or whose portfolios are restricted to (i) obligations with maturities of one year or less, issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America, or consisting of securities designated in clause (b) of this definition, or (ii) such obligations or repurchase agreements fully collateralized by obligations with an average maturity of one year or less issued or guaranteed as to payment of principal by the full faith and credit of the United States of America if, in the case of this clause (f) only, such portfolio is rated in the top rating category of a national rating agency;

(h) obligations the interest on which is excludable from gross income for purposes of federal income taxation and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (a), (b) or (e) of this definition (not callable by the issuer thereof prior to maturity) and the trust or escrow instructions for which cannot be amended to provide for redemption of such obligations prior to the date set forth in the trust or escrow agreement governing such deposit and are rated by each rating agency then rating the Bonds in its highest rating category; and

(i) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Prepayment" means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article X of the Installment Sale Agreement.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee in _____, California, or at such other address designated by the Trustee by written notice filed with the District and the Corporation, except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Proceeds," when used with reference to the Certificates, means the face amount of the Certificates, plus accrued interest and premium, if any, less original issue discount, if any.

"Project" means the improvements to the Water System described in Exhibit B to the Installment Sale Agreement.

“Project Costs” means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Water System constituting the Project.

“Project Fund” means the fund by that name established pursuant to Article III of the Trust Agreement and held by the Trustee.

“Rating Category” means, with respect to any Permitted Investment, one or more of the generic categories of rating by Moody’s and/or S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

“Regular Record Date” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“S&P” means S&P Global Ratings, or its successors.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

“State” means the State of California.

“Subordinate Debt” means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Installment Payments.

“Term of the Installment Sale Agreement” means the time during which the Installment Sale Agreement is in effect, as provided in Section 4.03 of the Installment Sale Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

“Trust Agreement” means the agreement by that name, dated as of December 1, 2016, by and among the Trustee, the Corporation and the District, together with any amendments or supplements thereto permitted to be made thereunder.

“Water System” means all facilities, properties, structures or works for the production, storage and delivery of water now owned by or hereafter acquired and constructed by the District and determined to be a part of the Water System, including all contractual rights for water, together with additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed by the District.

“Written Certificate” of the District means a written certificate signed in the name of the District by a District Representative. Any such certificate or request 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. If and to the extent required by Section 1.03 of the Trust Agreement or Section 1.02 of the Installment Sale Agreement, each such certificate shall include the statements provided for in Section 1.03 of the Trust Agreement or Section 1.02 of the Installment Sale Agreement.

EXHIBIT B

FORM OF CERTIFICATE OF PARTICIPATION

**CERTIFICATE OF PARTICIPATION
(2016 Financing Project)
Evidencing a Direct, Undivided Fractional Interest of the
Owner Hereof in Installment Payments to be Made by the
MID-PENINSULA WATER DISTRICT
(San Mateo County, California)
As the Purchase Price for Certain Property Pursuant to an
Installment Sale Agreement with the
Public Property Financing Corporation of California**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____ %	December 1, _____	December 1 2016	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

This is to certify that this Certificate of Participation (the "Certificate") evidences a direct, undivided fractional interest in the right to receive certain installment payments (the "Installment Payments") under, and as defined in, that certain Installment Sale Agreement, dated as of December 1, 2016 (the "Installment Sale Agreement"), by and between the Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and the Mid-Peninsula Water District, a water district organized and existing under the Constitution and laws of the State of California (the "District"). The Installment Payments to be made under the Installment Sale Agreement have been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), having an office at which it conducts its corporate trust business in San Francisco, California, or such other office designated by the trustee from time to time (said office being herein referred to as the "Principal Office"). The Registered Owner stated above, or registered assigns (the "Owner"), is entitled to receive, on the Maturity Date stated above, the Principal Amount stated above, subject to the terms of the Installment Sale Agreement, which represents a portion of the Installment Payments designated as principal coming due on the Installment Payment Date (as defined in the Installment Sale Agreement) immediately preceding the Maturity Date. The Owner is also entitled to receive, subject to the terms of the Installment Sale Agreement, semiannually on each June 1 and December 1, commencing June 1, 2017 (the "Interest Payment Dates"), to and including the Maturity Date or the date of redemption, whichever is earlier, the Owner's fractional share of the Installment Payments designated as interest coming due with respect to each of the Interest Payment Dates; provided, however, that interest with respect to such principal amount shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (i) this Certificate is executed on a Interest Payment Date, in which event interest shall be payable from

such Interest Payment Date, or (ii) this Certificate is executed after the close of business on the fifteenth (15th) day of the month immediately preceding the following Interest Payment Date (the "Record Date") and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this Certificate is executed on or before May 15, 2017, in which event interest shall be payable from the Dated Date. Said fractional share of the portion of the Installment Payments designated as interest is the result of the multiplication of the Principal Amount by the Interest Rate per annum stated above. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal are payable upon presentation and surrender of this Certificate at the Principal Office and the amounts representing interest are payable by check of the Trustee mailed first class, postage prepaid, on each Interest Payment Date to the Owner of record at the close of business on the Record Date, or by wire transfer at the written request of the Owner of not less than \$1,000,000 principal amount of Certificates received by the Trustee prior to the Record Date.

The District is authorized to enter into the Installment Sale Agreement pursuant to the laws of the State of California and Resolution No. ____ of the District adopted on October 11, 2016. The Corporation has assigned its rights to receive Installment Payments to the Trustee pursuant to an Assignment Agreement, dated as of December 1, 2016, by and between the Corporation and the Trustee (the "Assignment Agreement"), and a Trust Agreement, dated as of December 1, 2016, by and among the Trustee, the Corporation and the District (the "Trust Agreement").

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement are on file at the office of the District and at the Principal Corporate Trust Office, and reference to the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement and any and all amendments to said agreements is made for a description of the pledges and covenants of the District securing the Installment Payments, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the registered owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Installment Sale Agreement and the Trust Agreement may be amended by the parties thereto with the written consent of the registered owners of at least sixty percent (60%) in principal amount with respect to the Certificates then outstanding, or without such consent with respect to an amendment not adversely affecting the interests of the registered owners of the Certificates.

The District is obligated under the Installment Sale Agreement to pay Installment Payments from Net Revenues of the Water System (as such terms are defined in the Installment Sale Agreement) and certain other sources, all as provided in the Installment Sale Agreement. The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The registration of this Certificate shall be transferable only upon the Certificate registration books, which shall be kept for that purpose at the Principal Corporate Trust Office, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee

duly executed by the Owner of this Certificate or his duly authorized attorney. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide, in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount and Maturity Date as the surrendered Certificate.

The Certificates are delivered in the form of fully registered Certificates in denominations of \$5,000 each or any integral multiple thereof and upon surrender thereof at the Principal Office with a written request for exchange satisfactory to the Trustee duly executed by the registered owner thereof or his attorney duly authorized in writing, may, at the option of such registered owner thereof, be exchanged for an equal aggregate principal amount of Certificates of any other authorized denominations and of the same Maturity Date.

No transfer or exchange of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption or of any Certificate selected for redemption.

Certificates maturing on or after December 1, ____, are subject to redemption in whole or in part on any date on or after December 1, ____, at the principal amount with respect thereto, together with accrued interest to the date fixed for redemption from the proceeds of optional prepayments made by the District pursuant to the Installment Sale Agreement, without premium.

The Certificates maturing on December 1, ____, are subject to mandatory redemption in part on December 1, ____, and on each December 1 thereafter to and including December 1, ____, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
------------------------------------	--

†Maturity.

The Certificates maturing on December 1, ____, are subject to mandatory redemption in part on December 1, ____, and on each December 1 thereafter to and including December 1, ____, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
------------------------------------	--

†Maturity.

The Certificates are subject to mandatory redemption in whole or in part from time to time, in any order of maturity selected by the District and by lot within a maturity, on any Interest Payment Date, without premium, at the principal amount thereof, together with accrued interest to the date fixed for redemption from the net proceeds of an insurance or condemnation award deposited with the Trustee, as provided in the Trust Agreement.

Notice of redemption, unless waived, is to be given by the Trustee by mailing a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate registration books maintained by the Trustee. Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) interest with respect to such Certificates or portions of Certificates shall cease to be payable.

The Trustee has no obligation or liability to the registered owners of the Certificates to make payments of principal or interest with respect to the Certificates, except from funds held by the Trustee under the Trust Agreement. The Trustee's primary obligations are to administer, for the benefit of the registered owners of the Certificates, the various funds and accounts established under the Trust Agreement. The Trustee is not responsible for the recitals of fact in this Certificate.

The District has certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of this Certificate, exist, have happened and have been performed in due time, form and manner as required by law.

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

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

Execution Date: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Certificate and do(es) hereby irrevocably constitute and appoint

attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor.

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

