

BOARD OF DIRECTORS  
OF THE  
VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT

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RESOLUTION NO. 20, AS AMENDED  
BY RESOLUTION NO. 24

A Resolution of the Board of Directors of  
the Vandenberg Village Community Services District  
Authorizing the Issuance and  
Prescribing the Terms, Conditions and Form of  
\$1,600,000 Principal Amount of  
Vandenberg Village Community Services District  
Sewer Revenue Bonds, Series 1988

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Adopted October 26, 1988, as Amended  
on November 16, 1988

TABLE OF CONTENTS

	<u>Page</u>
Recitals . . . . .	1
ARTICLE I - DEFINITIONS; EQUAL SECURITY . . . . .	2
Section 1.01. Definitions . . . . .	2
Section 1.02. Equal Security . . . . .	14
ARTICLE II - ISSUANCE OF SERIES 1988 BONDS . . . . .	15
Section 2.01. Authorization and Purpose of Series 1988 Bonds . . . . .	15
Section 2.02. Terms of Series 1988 Bonds . . . . .	17
Section 2.03. Redemption of Series 1988 Bonds . . . . .	22
Section 2.04. Form of Series 1988 Bonds . . . . .	25
Section 2.05. Execution of Series 1988 Bonds . . . . .	38
Section 2.06. Registration of the Transfer and Exchange of Series 1988 Bonds. . . . .	39
Section 2.07. Registration Books for Series 1988 Bonds . . . . .	40
Section 2.08. Temporary Series 1988 Bonds. . . . .	40
Section 2.09. Mutilated, Destroyed, Lost or Stolen Series 1988 Bonds . . . . .	41
Section 2.10. Application of Proceeds of Sale of Series 1988 Bonds; Acquisition and Improvement Fund . . . . .	43
Section 2.11. Validity of Series 1988 Bonds . . . . .	45
ARTICLE III - ISSUANCE OF ADDITIONAL BONDS . . . . .	45
Section 3.01. Conditions for the Issuance of Additional Bonds . . . . .	45
Section 3.02. Procedure for the Issuance of Additional Bonds . . . . .	51
ARTICLE IV - REVENUES AND ACCOUNTS . . . . .	53
Section 4.01. Pledge of Net Revenues; Revenue Fund . . . . .	53
Section 4.02. Receipt and Deposit of Revenues . . . . .	54
Section 4.03. Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues . . . . .	55
ARTICLE V - COVENANTS OF THE DISTRICT . . . . .	60
Section 5.01. Punctual Payment . . . . .	60

	<u>Page</u>
Section 5.02. Against Encumbrances . . . . .	61
Section 5.03. Against Sale, Disposition or Lease of the Enterprise . . . . .	61
Section 5.04. Against Federal Income Taxation . . . . .	62
Section 5.05. Against Competitive Facilities . . . . .	64
Section 5.06. Acquisition of the Enterprise and Construction of Improvements to the Enterprise . . . . .	64
Section 5.07. Maintenance and Operation of the Enterprise . . . . .	64
Section 5.08. Payment of Claims . . . . .	65
Section 5.09. Insurance . . . . .	65
Section 5.10. Books and Accounts; Financial Statements . . . . .	68
Section 5.11. Protection of Security and Rights of Holders . . . . .	71
Section 5.12. Payment of Taxes and Other Governmental Charges . . . . .	71
Section 5.13. Collection of Rates, Fees and Charges . . . . .	72
Section 5.14. Amount of Rates, Fees and Charges . . . . .	72
Section 5.15. Eminent Domain Proceeds . . . . .	74
Section 5.16. Further Assurances . . . . .	75
 ARTICLE VI - THE FISCAL AGENT . . . . .	 76
Section 6.01. The Fiscal Agent . . . . .	76
Section 6.02. Liability of Fiscal Agent . . . . .	79
Section 6.03. Notice to Fiscal Agent . . . . .	79
 ARTICLE VII - AMENDMENT OF THE RESOLUTION . . . . .	 80
Section 7.01. Amendment by Consent of Holders . . . . .	80
Section 7.02. Disqualified Bonds . . . . .	82
Section 7.03. Endorsement or Replacement of Bonds After Amendment . . . . .	82
Section 7.04. Amendment by Mutual Consent . . . . .	83
 ARTICLE VIII - EVENTS OF DEFAULT AND REMEDIES OF HOLDERS . . . . .	 83
Section 8.01. Events of Default and Accelera- tion of Maturities . . . . .	83
Section 8.02. Application of Funds Upon Acceleration . . . . .	87
Section 8.03. Other Remedies of Holders . . . . .	88
Section 8.04. Non-Waiver . . . . .	88

	<u>Page</u>
Section 8.05. Actions by Fiscal Agent as Attorney-in-Fact . . . . .	90
Section 8.06. Remedies Not Exclusive . . . . .	90
ARTICLE IX - DEFEASANCE . . . . .	91
Section 9.01. Discharge of Indebtedness . . . . .	91
Section 9.02. Unclaimed Money . . . . .	93
ARTICLE X - MISCELLANEOUS . . . . .	95
Section 10.01. Liability of District Limited to Net Revenues . . . . .	95
Section 10.02. Benefits of the Resolution Limited to Parties . . . . .	96
Section 10.03. Successor is Deemed Included in All References to Predecessor . . . . .	96
Section 10.04. Waiver of Personal Liability . . . . .	97
Section 10.05. Acquisition of Bonds by District . . . . .	97
Section 10.06. Destruction of Cancelled Bonds . . . . .	97
Section 10.07. Content of Certificates and Reports . . . . .	98
Section 10.08. Execution of Documents by Holders . . . . .	99
Section 10.09. Notice by Mail . . . . .	100
Section 10.10. Deposit and Investment of Money in Funds and Accounts. . . . .	100
Section 10.11. Funds and Accounts . . . . .	102
Section 10.12. Special Provisions Concerning the Bond Insurer . . . . .	102
Section 10.13. Article and Section Headings, Gender and References . . . . .	106
Section 10.14. Partial Invalidity . . . . .	106
Section 10.15. Repeal of Inconsistent Ordinances or Resolutions . . . . .	107
Section 10.16. Effective Date of the Resolution . . . . .	107
Adoption . . . . .	108

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OF THE  
VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT

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RESOLUTION NO. 20, AS AMENDED  
BY RESOLUTION NO. 24

A Resolution of the Board of Directors  
of the Vandenberg Village Community Services District  
Authorizing the Issuance and  
Prescribing the Terms, Conditions and Form of  
\$1,600,000 Principal Amount of  
Vandenberg Village Community Services District  
Sewer Revenue Bonds, Series 1988

WHEREAS, the Board of Directors of the Vandenberg Village Community Services District (the "District") on February 10, 1988, duly passed and adopted its Resolution No. 18 calling a special revenue bond election to be held in the District on June 28, 1988, for the purpose of submitting to the qualified voters of the District the measure (hereinafter set forth) to issue \$1,600,000 principal amount of sewer revenue bonds under the Revenue Bond Law of 1941 of the State of California; and

WHEREAS, all requirements of law have been complied with in calling and holding said special revenue bond election and the Board of Directors of the District did duly and regularly confirm the canvass of the returns of said election and did by said confirmation determine and declare, and does hereby certify, that said measure received at said special

revenue bond election the affirmative votes of a majority of all the voters voting on said measure at said election and said measure was thereby carried and adopted by said election and the issuance of said sewer revenue bonds by the District for the purpose described in said measure was duly authorized; and

WHEREAS, the Board of Directors of the District has determined that the public interest and necessity demand the acquisition of the existing privately-owned sewer system serving the District and the construction of improvements thereto, as described in said measure;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Vandenberg Village Community Services District, as follows:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of all Supplemental Resolutions and of the Bonds and of any certificate, opinion, report, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition and Improvement Fund

"Acquisition and Improvement Fund" means the fund by that name established pursuant to Section 2.10.

Annual Debt Service

"Annual Debt Service" means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled from sinking fund payments established for that purpose (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (3) the principal amount of all Outstanding Term Bonds scheduled to be redeemed or paid in such Bond Year from sinking fund payments established for that purpose (together with the redemption premiums, if any, thereon).

Board of Directors

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

Bonds, Series 1988 Bonds, Additional Bonds, Serial Bonds, Term Bonds

"Bonds" means the Series 1988 Bonds and all Additional Bonds. "Series 1988 Bonds" means the \$1,600,000 principal amount of Vandenberg Village Community Services District Sewer Revenue Bonds, Series 1988 authorized hereby and at any time Outstanding hereunder that are executed, authenticated and delivered in accordance with Article II.

"Additional Bonds" means all sewer revenue bonds of the District authorized hereby and at any time Outstanding hereunder that are executed, authenticated and delivered in accordance with Article III. "Serial Bonds" means Bonds for which no sinking fund payments are established. "Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity dates.

Bond Insurer

"Bond Insurer" means Capital Guaranty Insurance Company at its office in the Steuart Tower, 22nd Floor, One Market Plaza, San Francisco, California 94105-1413, or at such other address as may be provided in writing by said company to the District and the Fiscal Agent.

Bond Reserve Account

"Bond Reserve Account" means the account by that name established pursuant to Section 4.03.



Bond Year

"Bond Year" means the twelve-month period terminating on November 1 of each year.

Certificate of the District

"Certificate of the District" means an instrument in writing signed by the President, or by any other officer of the District duly authorized by the Board of Directors for that purpose, and by the Secretary, with the seal of the District affixed.

Code

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

District

"District" means the Vandenberg Village Community Services District, a community services district duly organized and existing under the Community Services District Law (being Title 6, Division 3 of the Government Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto.

Engineer's Opinion

"Engineer's Opinion" means an opinion signed by an Independent Engineer.

Enterprise

"Enterprise" means the whole and each and every part of the existing privately-owned sewer system serving the District referred to in the measure set forth in Section 2.01 hereof to be acquired with the proceeds of sale of the Series 1988 Bonds, and all facilities hereafter acquired or constructed for said sewer system, together with all additions, betterments, extensions or improvements to said sewer system or any part thereof hereafter acquired or constructed.

Federal Securities

"Federal Securities" means bonds, notes, bills or certificates of indebtedness of the Department of Treasury of the United States of America or other evidences of indebtedness for which the full faith and credit of the United States of America are pledged for the payment of interest and principal; obligations issued by banks for cooperatives, the Federal Farm Credit Bank or the Federal Home Loan Bank Board; obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Federal National Mortgage Association; obligations, participations or other instruments of or issued by a federal agency or a United States of America government sponsored enterprise fully guaranteed as to interest and principal by the United States of America; and also any securities both the interest on and principal of which are guaranteed directly or

indirectly by the full faith and credit of the United States of America, as and to the extent that such securities are eligible for the legal investment of District funds.

Fiscal Agent

"Fiscal Agent" means State Street Bank and Trust Company of California, N.A., at its principal office in Los Angeles, California, appointed by the District in Section 6.01 and acting as an independent trustee with the rights and obligations provided herein, and its successors or assigns, or any other bank or trust company at its principal office in Los Angeles, California, which may at any time be substituted in its place as provided in Section 6.01.

Fiscal Year

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

Generally Accepted Accounting Principles

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Holder

"Holder" means the registered owner of any Outstanding Bond.

Independent Certified Public Accountant

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the District and satisfactory to and approved by the Fiscal Agent (who shall be under no liability by reason of such approval), and who, or each of whom --

(i) is in fact independent and not under the domination of the District;

(ii) does not have any substantial interest, direct or indirect, with the District; and

(iii) is not connected with the District as a director, officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports thereon to the District.

Independent Engineer

"Independent Engineer" means any registered civil engineer or firm of registered civil engineers duly licensed and entitled to practice and practicing under the laws of the State of California, and generally recognized to be well qualified in engineering matters relating to sewer collection, treatment and disposal systems, appointed and paid by the

District and satisfactory to and approved by the Fiscal Agent (who shall be under no liability by reason of such approval), and who, or each of whom --

- (i) is in fact independent and not under the domination of the District;
- (ii) does not have any substantial interest, direct or indirect, with the District; and
- (iii) is not connected with the District as a director, officer or employee of the District, but who may be regularly retained to make reports to the District.

#### Interest Account

"Interest Account" means the account by that name established pursuant to Section 4.03.

#### Law

"Law" means the Revenue Bond Law of 1941 of the State of California (being Title 5, Division 2, Part 1, Chapter 6 of the Government Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto.

#### Maintenance and Operation Account

"Maintenance and Operation Account" means the account by that name established pursuant to Section 4.03.

#### Maintenance and Operation Costs

"Maintenance and Operation Costs" of the Enterprise means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Enterprise,

calculated in accordance with Generally Accepted Accounting Principles, including (among other things) all reasonable expenses of management and repair and all expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including all administrative costs of the District attributable to the Enterprise and the Bonds, such as salaries and wages of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of the Fiscal Agent, fees of accountants, attorneys or engineers 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 Bonds or the Resolution, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Maximum Annual Debt Service

"Maximum Annual Debt Service" means the highest Annual Debt Service in any Bond Year during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

Net Revenues

"Net Revenues" means, for any period, all Revenues during such period less all Maintenance and Operation Costs during such period.

Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.02) all Bonds except --

- (1) Bonds cancelled by the Fiscal Agent or delivered to the Fiscal Agent for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 9.01; and
- (3) Bonds in lieu of and in substitution for which other Bonds shall have been executed, authenticated and delivered hereunder.

President

"President" means the President of the Board of Directors.

Principal Account

"Principal Account" means the account by that name established pursuant to Section 4.03.

Rebate Certificate

"Rebate Certificate" means that certificate executed by the District at the time of the issuance and delivery of the Series 1988 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended or supplemented.

Rebate Fund

"Rebate Fund" means the fund by that name established pursuant to Section 5.04(b).

Reserve Requirement

"Reserve Requirement" means the lesser of (i) the amount of the Maximum Annual Debt Service on all Bonds then Outstanding, or (ii) the amount permitted to be held in the Bond Reserve Account by the arbitrage bond regulations issued by the United States Department of the Treasury under Section 103(c) of the Code, as such regulations are, at the time, applicable and in effect, without the imposition of yield restrictions (as such lesser amount is shown by a Certificate of the District, on which certificate the Fiscal Agent may conclusively rely).

Resolution

"Resolution" means this Resolution No. 20 adopted by the Board of Directors on October 26, 1988, as amended by Resolution No. 24 adopted by the Board of Directors on November 16, 1988, under and pursuant to the Law, as it may from time to time be amended or supplemented by all Supplemental Resolutions adopted pursuant to the provisions hereof.

Revenues

"Revenues" means all gross income and revenue of any kind, howsoever derived, from the funds, services and facilities of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges and connection fees received or receivable for furnishing or providing the Sewer Service and all other income



and revenue howsoever derived by the District arising from the ownership or operation of the Enterprise, and including all sums required by Section 10.10 to be deposited in the Revenue Fund.

Revenue Fund

"Revenue Fund" means the fund by that name established pursuant to Section 4.01.

Secretary

"Secretary" means the Secretary of the Board of Directors.

Series 1988 Sinking Fund Account

"Series 1988 Sinking Fund Account" means the account by that name established pursuant to Section 2.02.

Sewer Service

"Sewer Service" means the sewer collection, treatment and disposal service furnished or provided by the Enterprise.

Supplemental Resolution

"Supplemental Resolution" means any resolution then in full force and effect which has been duly adopted by the Board of Directors under the Law at a meeting of the Board of Directors duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Resolution is specifically authorized herein.

Surplus Account

"Surplus Account" means the account by that name established pursuant to Section 4.03.

Written Request of the District

"Written Request of the District" means an instrument in writing signed by the President, or by any other officer of the District duly authorized by the Board of Directors for that purpose, and by the Secretary, with the seal of the District affixed.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders, the Resolution shall be deemed to be and shall constitute a contract between the District and the Holders to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all the Bonds, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the District shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any of the Bonds over any other Bonds by reason of the time of execution, authentication or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF SERIES 1988 BONDS

Section 2.01. Authorization and Purpose of Series 1988 Bonds.

(a) The Board of Directors has reviewed all proceedings heretofore taken relative to the authorization of the Series 1988 Bonds and has found, as a result of such review, and hereby finds and determines that all conditions, things and acts required by the Law to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Series 1988 Bonds do exist, have happened and have been performed in regular and due time, form and manner as required by the Law, and the District is now duly authorized, pursuant to each and every requirement of the Law, to issue the Series 1988 Bonds for the purpose and in the time, form and manner provided herein, and the Series 1988 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

(b) The Series 1988 Bonds shall issue for the purpose set forth in the following measure:

MEASURE (H):	Shall Vandenberg Village
Sewer System -	Community Services District issue
Revenue Bonds)	revenue bonds in the principal
	amount of not to exceed
	\$1,600,000 (in lieu of \$900,000
	formerly approved) pursuant to the Revenue Bond Law
	of 1941 to provide funds for the acquisition of the
	existing privately-owned sewer system and acquire
	under eminent domain or otherwise, the land,
	property, and rights of any character whatsoever of
	the existing privately-owned sewer system serving

the District and provide for the construction of improvements thereto, and other works, properties or structures necessary or convenient for the improvement of the sewer system of Vandenberg Village Community Services District?

(c) It is hereby found and determined that the District does not now own and operate a sewer system; that such existing privately-owned sewer system serving the District, when acquired and improved, will constitute a complete sewer system for the District; that the proceeds of sale of the Series 1988 Bonds shall be applied to the payment of the costs of such acquisition and improvement; and that the Net Revenues to be derived from such sewer system shall be pledged to the payment of the Series 1988 Bonds. It is hereby found and determined that the acquisition and improvement of such sewer system is necessary to enable the District to exercise its public powers and functions, namely, to furnish sufficient Sewer Service for present and future beneficial uses of the District. Accordingly, it is found and determined as follows:

(i) Such sewer system can be acquired and improved from the proceeds of sale of the Series 1988 Bonds;

(ii) Rates, fees and charges can be fixed and levied and can be collected upon such sewer system for the Sewer Service;

(iii) Such rates, fees and charges, together with all other Revenues, shall constitute the Revenues of the Enterprise which shall be used for the payment of the

Maintenance and Operation Costs of the Enterprise and for the payment of the interest on and principal of and redemption premiums, if any, on the Series 1988 Bonds and otherwise as herein provided;

(iv) The Net Revenues of the Enterprise are hereby pledged to the payment of the interest on and principal of and redemption premiums, if any, on the Series 1988 Bonds as herein provided; and

(v) All Revenues of the Enterprise received from and after the date hereof shall be accounted for through the Revenue Fund.

(d) The District hereby designates the Series 1988 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Section 2.02. Terms of Series 1988 Bonds. The Series 1988 Bonds in the aggregate principal amount of One Million Six Hundred Thousand Dollars (\$1,600,000) are hereby authorized to be issued by the District under and subject to the terms of the Resolution and shall be designated the "Vandenberg Village Community Services District Sewer Revenue Bonds, Series 1988." The Series 1988 Bonds shall be dated November 1, 1988, shall be issued as fully registered bonds in denominations of five thousand dollars (\$5,000) or any integral multiple thereof (not exceeding the principal amount of Series 1988 Bonds maturing at any one time), shall be

numbered as determined by the Fiscal Agent, and shall mature as set forth in the following schedule:

<u>Maturity Date (November 1)</u>	<u>Principal Amount</u>	<u>Maturity Date (November 1)</u>	<u>Principal Amount</u>
1989	\$40,000	1997	\$ 65,000
1990	40,000	1998	70,000
1991	45,000	1999	75,000
1992	50,000	2000	80,000
1993	50,000	2001	85,000
1994	55,000	2002	95,000
1995	60,000	2003	100,000
1996	60,000	2004	630,000

Sinking fund payments are hereby established for the mandatory redemption and payment of the Series 1988 Bonds maturing on November 1, 2008, which payments shall become due during the years ending on the dates and in the amounts as set forth in the following schedule:

<u>Year Ending November 1</u>	<u>Sinking Fund Payment</u>	<u>Year Ending November 1</u>	<u>Sinking Fund Payment</u>
2004	\$110,000	2007	\$135,000
2005	115,000	2008	145,000
2006	125,000		

All such sinking fund payments shall be deposited in a separate account in the Principal Account, which account is hereby established and shall be known as the Series 1988 Sinking Fund Account and which account the District hereby agrees and covenants to maintain so long as any Series 1988 Term Bonds are Outstanding. All money in the Series 1988 Sinking Fund Account shall be used and withdrawn by the Fiscal

Agent at any time, upon the Written Request of the District, for the purchase of Series 1988 Bonds maturing on November 1, 2008, at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as it may in its discretion determine, but not to exceed the principal amount of such Series 1988 Bonds, and all Series 1988 Bonds so purchased shall be cancelled. All money in the Series 1988 Sinking Fund Account on November 1 of each year, beginning on November 1, 2004, shall be used and withdrawn by the Fiscal Agent on such November 1 for the mandatory redemption or payment of Series 1988 Bonds maturing on November 1, 2008, and the District hereby agrees and covenants with the Holders of the Series 1988 Term Bonds to call and redeem in accordance with Section 2.03 hereof or pay Series 1988 Bonds maturing on November 1, 2008, from sinking fund payments deposited in the Series 1988 Sinking Fund Account pursuant to this paragraph whenever on November 1 in any year, beginning on November 1, 2004, there is money in the Series 1988 Sinking Fund Account available for such purpose.

The Series 1988 Bonds shall bear interest (payable annually the first year on November 1, 1989, and semiannually thereafter on May 1 and November 1 in each year) at the rate or rates per annum determined by the Board of Directors at the time of sale thereof, but not to exceed twelve per cent (12%)

per annum, calculated on the basis of a 360-day year of twelve (12) 30-day months.

Payment of the interest on the Series 1988 Bonds due on or before their maturity dates or on redemption prior thereto shall be made only to the persons whose names appear in the registration books maintained by the Fiscal Agent pursuant to Section 2.07 as the registered owners thereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by the Fiscal Agent to such registered owners at their addresses as they appear on such registration books or at such other addresses as may have been filed with the Fiscal Agent for that purpose. Payment of the principal of and redemption premiums, if any, on the Series 1988 Bonds due on their maturity dates or on redemption prior thereto shall be made only to the persons whose names appear in the registration books maintained by the Fiscal Agent pursuant to Section 2.07 as the registered owners thereof, such principal and redemption premiums, if any, to be paid only upon surrender thereof on their maturity dates or on redemption prior thereto at the office of the Fiscal Agent. The District and the Fiscal Agent may treat the registered owner of any Series 1988 Bond as the absolute owner of such Series 1988 Bond for all purposes, whether or not such Series 1988 Bond shall be overdue, and neither the District nor the Fiscal Agent shall be affected by any knowledge or



notice to the contrary; and payment of the interest on and principal of and redemption premium, if any, on each Series 1988 Bond shall be made only to the registered owner thereof as above provided, which payments shall be valid and effectual to satisfy and discharge the liability represented by such Series 1988 Bond to the extent of the sum or sums of money so paid.

The Series 1988 Bonds shall bear interest from the interest payment date next preceding the date of registration thereof, unless they are registered on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both inclusive, in which event they shall bear interest from such interest payment date, or unless they are registered on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event they shall bear interest from November 1, 1988; provided, that if at the time of registration of any Series 1988 Bond interest is then in default on the Outstanding Series 1988 Bonds, such Series 1988 Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Outstanding Series 1988 Bonds.

The interest on and principal of and redemption premiums, if any, on the Series 1988 Bonds shall be payable in lawful money of the United States of America.

Section 2.03. Redemption of Series 1988 Bonds.

Series 1988 Bonds maturing by their terms on November 1, 2008, are subject to mandatory redemption prior to their maturity date on any November 1 on or after November 1, 2004, in part in integral multiples of five thousand dollars (\$5,000), solely from sinking fund payments deposited in the Series 1988 Sinking Fund Account, at the principal amount of each Series 1988 Bond or the portion thereof so redeemed and accrued interest thereon to the date of redemption.

Series 1988 Bonds maturing by their terms on or after November 1, 1998, are subject to redemption prior to their fixed maturity dates, at the option of the District, as a whole or in part in integral multiples of five thousand dollars (\$5,000) in inverse order of maturity (and by lot within any one maturity), on any interest payment date on or after November 1, 1997, from funds derived by the District from any source, at a redemption price equal to the following percentage of the principal amount of each Series 1988 Bond or the portion thereof so redeemed, plus accrued interest thereon to the date of redemption, namely:

<u>Redemption Dates</u>	<u>Redemption Price</u>
November 1, 1997, and May 1, 1998	102 %
November 1, 1998, and May 1, 1999	101.5
November 1, 1999, and May 1, 2000	101
November 1, 2000, and May 1, 2001	100.5
November 1, 2001, and thereafter	100

If less than all the Outstanding Series 1988 Bonds maturing on any one date or any portions thereof are to be

called for redemption at any one time, the Fiscal Agent shall select the Series 1988 Bonds or the portions thereof to be redeemed from Outstanding Series 1988 Bonds maturing on such date by lot in any manner that it deems fair, and the Fiscal Agent shall promptly notify the District in writing of the numbers of the Series 1988 Bonds selected for redemption in whole or in part.

The Fiscal Agent shall cause notice of any such redemption to be mailed in accordance with Section 10.09 to the respective Holders of the Series 1988 Bonds designated for redemption in whole or in part at their addresses appearing in the registration books maintained by the Fiscal Agent pursuant to Section 2.07 and to be mailed to those securities depositories and securities information services selected by the District in its sole discretion to comply with custom or the rules of any securities exchange or commission or brokerage board, but receipt of any such notice shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any immaterial defect therein shall affect the sufficiency or validity of the proceedings for the redemption of such Series 1988 Bonds. Such notice shall state the date of such notice, the Series 1988 Bonds to be redeemed, the date of issue of the Series 1988 Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Fiscal Agent), the CUSIP number (if any) of

the maturity or maturities and, if less than all of any such maturity, the numbers of the Series 1988 Bonds of such maturity to be redeemed and, in the case of Series 1988 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, shall give notice that further interest on such Series 1988 Bonds or the portions thereof redeemed will not accrue after the redemption date, and shall require that such Series 1988 Bonds be then surrendered at the address or addresses of the Fiscal Agent so designated. If any Series 1988 Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Series 1988 Bond is to be redeemed in part only and that upon presentation of such Series 1988 Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Series 1988 Bond or Series 1988 Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to such unredeemed portion.

The Fiscal Agent shall mail a notice of redemption of Series 1988 Bonds upon receipt of a Written Request of the District (which request shall be given to the Fiscal Agent, with a copy to the Bond Insurer, at least sixty (60) days prior to the date fixed for redemption), but only after the District shall have deposited with or otherwise made available to the Fiscal Agent the money required for payment of the redemption price of all Series 1988 Bonds or the portions thereof then to be called for redemption (or the Fiscal Agent

determines that money will be deposited with or otherwise made available to it in such amount and in sufficient time for such purpose), together with the estimated expense of giving such notice.

If notice of redemption shall have been duly given as aforesaid and funds available for the payment of the redemption price of the Series 1988 Bonds or the portions thereof so called for redemption shall have been duly provided, then on the redemption date designated in such notice such Series 1988 Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on such Series 1988 Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Series 1988 Bonds redeemed pursuant to the provisions of this section shall be cancelled by the Fiscal Agent and shall not be reissued.

Section 2.04. Form of Series 1988 Bonds. The Series 1988 Bonds and the form of certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the following forms, respectively:

[Form of Series 1988 Bonds]

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SANTA BARBARA

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT  
SEWER REVENUE BOND, SERIES 1988

No. \_\_\_\_\_ \$ \_\_\_\_\_

THIS BOND IS PART OF AN ISSUE OF BONDS WHICH HAVE BEEN DESIGNATED BY THE ISSUER AS QUALIFIED TAX-EXEMPT OBLIGATIONS FOR PURPOSES OF SECTION 265(b)(3)(B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

<u>Interest</u>	<u>Maturity</u>	<u>Dated</u>	<u>CUSIP</u>
<u>Rate</u>	<u>Date</u>	<u>as of</u>	<u>Number</u>
_____%	November 1, ____	November 1, 1988	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The Vandenberg Village Community Services District (the "District"), a community services district duly organized and existing under the Constitution and laws of the State of California, hereby acknowledges itself indebted and for value received promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner set forth above on the maturity date specified above (subject to any right of prior redemption reserved herein) the principal sum set forth above, together with interest thereon from the interest payment date next preceding the date of registration of this Bond (unless this Bond is registered on a day during the period from the sixteenth (16th) day of the month next

preceding an interest payment date to such interest payment date, both inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is registered on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event it shall bear interest from November 1, 1988) until payment of said principal sum in full, at the interest rate per annum specified above, payable annually the first year on November 1, 1989, and semiannually thereafter on May 1 and November 1 in each year. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States of America at the principal office of State Street Bank and Trust Company of California, N.A., in Los Angeles, California, the Fiscal Agent of the District for the Bonds (the "Fiscal Agent"). Interest due on or before the maturity date of this Bond or on redemption prior thereto is payable only to the person whose name appears in the registration books maintained by the Fiscal Agent as the registered owner hereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by the Fiscal Agent to such registered owner at the address shown on such registration books or at such other address as may have been filed with the Fiscal Agent for that purpose. The principal of and redemption premium, if any, on this Bond due on the maturity date thereof or on redemption prior thereto

are payable only to the person whose name appears in such registration books as the registered owner thereof, such principal and redemption premium, if any, to be paid only upon surrender hereof on the maturity date of this Bond or on redemption prior thereto at the office of the Fiscal Agent.

This Bond is one of a duly authorized issue of Vandenberg Village Community Services District Sewer Revenue Bonds, Series 1988 (the "Bonds"), aggregating One Million Six Hundred Thousand Dollars (\$1,600,000) in principal amount, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions), and is issued pursuant to the Constitution and laws of the State of California, including the Revenue Bond Law of 1941 (being Title 5, Division 2, Part 1, Chapter 6 of the Government Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto (the "Law") and pursuant to Resolution No. 20 adopted by the Board of Directors of the District on October 26, 1988, as amended on November 16, 1988 (the "Resolution"), and the vote of the qualified voters of the District voting at a special election duly called and held for the purpose of authorizing the issuance of the Bonds. Reference is hereby made to the Resolution, to any resolutions supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, for the provisions with regard to the nature and



extent of the Net Revenues, as that term is defined in the Resolution, and for the rights of the registered owners of the Bonds; and all the terms of the Resolution and the Law are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by his acceptance hereof, agrees and consents. Each registered owner hereof shall have recourse to all of the provisions of the Law and the Resolution and shall be bound by all of the conditions and terms thereof.

Bonds maturing by their terms on November 1, 2008, are subject to mandatory redemption prior to their maturity date on any November 1 on or after November 1, 2004, in part in integral multiples of five thousand dollars (\$5,000), solely from sinking fund payments deposited in the Series 1988 Sinking Fund Account created under the Resolution, at the principal amount of each Bond or the portion thereof so redeemed and accrued interest thereon to the date of redemption.

Bonds maturing by their terms on or after November 1, 1998, are subject to redemption prior to their fixed maturity dates, at the option of the District, as a whole or in part in integral multiples of five thousand dollars (\$5,000) in inverse order of maturity (and by lot within any one maturity), on any interest payment date on or after November 1, 1997, from funds derived by the District

from any source, at a redemption price equal to the following percentage of the principal amount of each Bond or the portion thereof so redeemed, plus accrued interest thereon to the date of redemption, namely:

	<u>Redemption Dates</u>	<u>Redemption Price</u>
November 1, 1997, and May 1, 1998		102 %
November 1, 1998, and May 1, 1999		101.5
November 1, 1999, and May 1, 2000		101
November 1, 2000, and May 1, 2001		100.5
November 1, 2001, and thereafter		100

If less than all the outstanding Bonds maturing on any one date or any portions thereof are to be called for redemption at any one time, the Fiscal Agent shall select the Bonds or the portions thereof to be redeemed from the outstanding Bonds maturing on such date by lot in any manner that it deems fair.

As provided in the Resolution, notice of redemption of this Bond or any portion hereof shall be given by the Fiscal Agent by mailing a copy of such notice, first class postage prepaid, not less than thirty (30) nor more than sixty (60) days before the redemption date, to the registered owner of this Bond at his address as it appears in the registration books maintained by the Fiscal Agent and to those securities depositories and securities information services selected by the District in its sole discretion to comply with custom or the rules of any securities exchange or commission or brokerage board, but receipt of any such notice shall not be a condition precedent to such redemption and neither failure to

receive any such notice nor any immaterial defect therein shall affect the sufficiency or validity of the proceedings for the redemption of this Bond. If notice of redemption has been duly given as aforesaid, then on the redemption date designated in such notice this Bond or such portion hereof shall become due and payable at the above-described redemption price, and from and after the date so designated interest on this Bond or such portion hereof so called for redemption shall cease to accrue and the registered owner of this Bond shall, as to this Bond or such portion hereof, have no rights in respect hereof except to receive payment of the redemption price hereof on the redemption date hereof; provided, that if this Bond is to be redeemed in part only, upon presentation of this Bond for redemption there will be issued in lieu of the unredeemed portion of the principal hereof a new Bond or Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion hereof.

The Bonds are issued to provide funds for the acquisition of an Enterprise consisting of a sewer collection, treatment and disposal system to serve the District and the construction of improvements thereto, as more particularly described in the Resolution. The Bonds are special obligations of the District and are payable, as to interest thereon and principal thereof and any premiums on the redemption thereof, from the net revenues of said Enterprise (which, as more particularly defined in the Resolution, are

therein and herein called the "Net Revenues"). All of the Bonds are equally secured by a pledge of, and charge and lien on, all of the Net Revenues, and the Net Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds. Additional sewer revenue bonds payable from the Net Revenues may be issued on a parity with the Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Resolution.

The interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the Net Revenues, and the District is not obligated to pay the Bonds except from the Net Revenues. The general fund of the District is not liable, and the full faith and credit or taxing power of the District is not pledged, for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or lien on any of the property of the District or any of its income or revenues, except the Net Revenues. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and neither the directors nor the officers of the District nor any persons executing the Bonds shall be personally liable on the Bonds by reason of their issuance.

The District covenants that, so long as any of the Bonds are outstanding, it will fix, prescribe and collect

rates, fees and charges in connection with the services and facilities furnished by said Enterprise so as to yield Revenues at least equal to the amounts thereof prescribed by the Resolution and sufficient to pay the interest on and principal of and redemption premiums, if any, on the Bonds in accordance with the provisions of the Resolution.

The Bonds are authorized to be issued as fully registered bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (not exceeding the principal amount of Bonds maturing at any one time). The registered owner of any Bond may surrender the same (together with a written instrument of transfer satisfactory to the Fiscal Agent duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of any other authorized denominations, subject to the conditions and terms and upon payment of the charges provided in the Resolution.

The registration of this Bond is transferable, as provided in the Resolution, only on the registration books for the Bonds maintained for that purpose at the office of the Fiscal Agent, by the registered owner hereof in person or by his duly authorized attorney, upon payment of the charges provided in the Resolution and upon surrender of this Bond accompanied by a written instrument of transfer satisfactory to the Fiscal Agent duly executed by the registered owner

hereof or his duly authorized attorney, and thereupon a new Bond or Bonds of the same maturity date and of any authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor. The District and the Fiscal Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and neither the District nor the Fiscal Agent shall be affected by any knowledge or notice to the contrary; and payment of the interest on and principal of and redemption premium, if any, on this Bond as above provided shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge the liability represented by this Bond to the extent of the sum or sums so paid.

The rights and obligations of the District and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Resolution, but no such amendment shall (1) extend the maturity of this Bond, or reduce the interest rate or redemption premium, if any, hereon, or otherwise alter or impair the obligation of the District to pay the interest hereon or principal hereof or redemption premium, if any, hereon at the time and place and at the rate and in the currency provided herein, without the express written consent of the registered owner of this Bond, or (2) permit the creation by the District of any pledge of or lien on the Net

Revenues superior to or on a parity with the pledge of and lien on the Net Revenues created in the Resolution for the benefit of the Bonds and all additional sewer revenue bonds authorized to be issued under the Resolution, or (3) reduce the percentage of Bonds and all additional sewer revenue bonds authorized to be issued under the Resolution required for the written consent to an amendment of the Resolution, or (4) modify any of the rights or obligations of the Fiscal Agent without its prior written assent thereto; all as more fully set forth in the Resolution.

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

This Bond shall not be entitled to any benefit, protection or security under the Resolution or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Fiscal Agent.

IN WITNESS WHEREOF, the Vandenberg Village Community Services District has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the President of its Board of Directors and has caused this Bond to be countersigned by the facsimile signature of the Secretary of its Board of Directors, and has caused its seal to be reproduced hereon, and has caused this Bond to be dated November 1, 1988.

VANDENBERG VILLAGE COMMUNITY  
SERVICES DISTRICT

By \_\_\_\_\_  
President of the  
Board of Directors

[SEAL]

Countersigned:

Jay Edman  
Secretary of the  
Board of Directors



[Form of Certificate of Authentication and Registration]

This is one of the Bonds described in the within-mentioned Resolution which has been authenticated and registered on \_\_\_\_\_.

State Street Bank and Trust  
Company of California, N.A.,  
as Fiscal Agent

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

[Form of Assignment]

For value received the undersigned do (es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Bond and do (es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the same in the bond register of the Fiscal Agent, with full power of substitution in the premises.

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

SIGNATURE GUARANTEED BY:  
\_\_\_\_\_

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

signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

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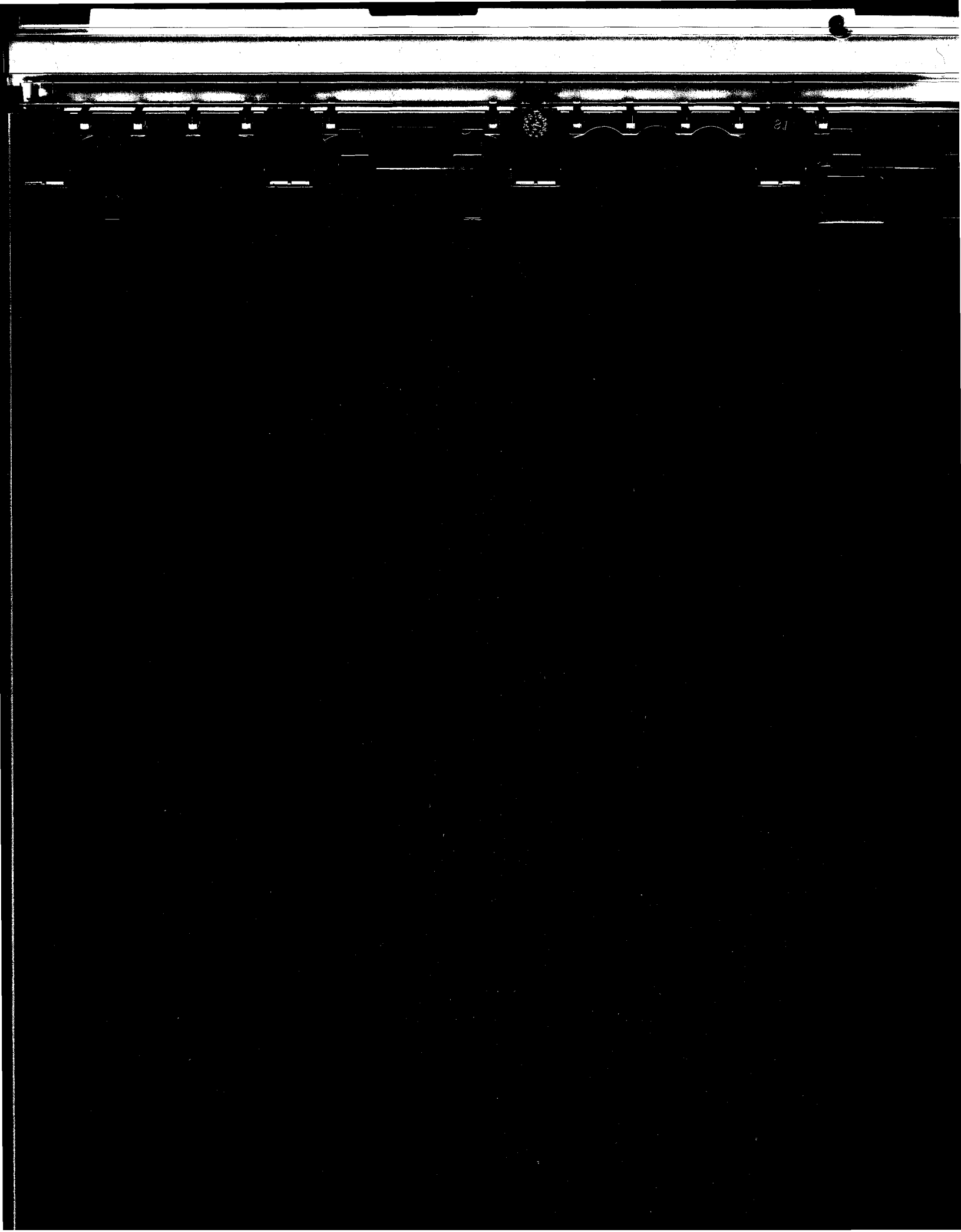
Section 2.05. Execution of Series 1988 Bonds. The President is hereby authorized and directed to execute each of the Series 1988 Bonds on behalf of the District by use of his facsimile signature and the Secretary is hereby authorized and directed to countersign each of the Series 1988 Bonds by use of her facsimile signature and to imprint by facsimile the official seal of the District thereon. In case any officer whose signature appears on the Series 1988 Bonds shall cease to be such officer before the delivery of the Series 1988 Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes the same as though such officer had remained in office until the delivery of the Series 1988 Bonds.

Only those Series 1988 Bonds that shall bear thereon a certificate of authentication and registration in the form hereinbefore recited, executed and dated by the Fiscal Agent, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Fiscal Agent shall be conclusive evidence that the Series 1988 Bonds so authenticated and registered have been duly authorized, executed and delivered hereunder

and are entitled to the benefit, protection and security hereof.

Section 2.06. Registration of the Transfer and Exchange of Series 1988 Bonds. Registration of the Series 1988 Bonds is transferable and the Series 1988 Bonds are exchangeable by the Holders thereof, in person or by their attorneys duly authorized in writing, at the office of the Fiscal Agent in the books required to be maintained by the Fiscal Agent pursuant to the provisions of Section 2.07, upon surrender of such Series 1988 Bonds accompanied by delivery of duly executed written instruments of transfer or exchange in a form approved by the Fiscal Agent. Whenever any Series 1988 Bond or Bonds shall be surrendered by any Holder for registration of transfer or exchange, the Fiscal Agent shall execute and deliver to such Holder a new Series 1988 Bond or Bonds of authorized denominations of the same maturity date representing the same aggregate principal amount, except that the Fiscal Agent shall require the payment by such Holder of any tax or other governmental charge required to be paid with respect to such registration of transfer or exchange. All Series 1988 Bonds surrendered pursuant to the provisions of this section shall be cancelled by the Fiscal Agent and shall not be reissued.

The Fiscal Agent shall not be required to register the transfer of or exchange any Series 1988 Bond selected for redemption in whole or in part from and after the date of



mailing a notice of redemption of such Series 1988 Bond or such portion thereof.

Section 2.07. Registration Books for Series 1988 Bonds. The Fiscal Agent will keep at its office sufficient books for the registration of the transfer or exchange of the Series 1988 Bonds, which books shall be available for inspection by the District, the Bond Insurer or any Holder or his agent duly authorized in writing at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register the transfer of or exchange the Series 1988 Bonds in such books as hereinabove provided. The ownership of the Series 1988 Bonds shall be proved by the books required to be kept by the Fiscal Agent pursuant to the provisions of this section.

Section 2.08. Temporary Series 1988 Bonds. The Series 1988 Bonds may be initially delivered in temporary form exchangeable for definitive Series 1988 Bonds when ready for delivery, which temporary Series 1988 Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Series 1988 Bond shall be executed by the District and authenticated and delivered by the Fiscal Agent upon the same conditions and terms and in substantially the same manner as

definitive Series 1988 Bonds. If the District executes and the Fiscal Agent authenticates and delivers temporary Series 1988 Bonds, the District will prepare and execute definitive Series 1988 Bonds without delay, and in that case upon demand of the Holder of any temporary Series 1988 Bonds such definitive Series 1988 Bonds shall be authenticated and delivered to such Holder by the Fiscal Agent at its office without cost to such Holder in exchange for and upon surrender of such temporary Series 1988 Bonds, and until so exchanged such temporary Series 1988 Bonds shall be entitled to the same benefit, protection and security hereunder as the definitive Series 1988 Bonds executed, authenticated and delivered hereunder. All temporary Series 1988 Bonds surrendered pursuant to the provisions of this section shall be cancelled by the Fiscal Agent and shall not be reissued.

Section 2.09. Mutilated, Destroyed, Lost or Stolen Series 1988 Bonds. If any Series 1988 Bond shall become mutilated, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Series 1988 Bond of like tenor, maturity date and interest rate in lieu of and in substitution for the mutilated Series 1988 Bond, but only upon surrender to the Fiscal Agent of the mutilated Series 1988 Bond, and every mutilated Series 1988 Bond surrendered to the Fiscal Agent shall be cancelled by it and shall not be reissued. If any Series 1988 Bond shall be destroyed, lost or stolen, evidence of such destruction, loss or theft may be

submitted to the Fiscal Agent, and if such evidence is satisfactory to the Fiscal Agent, and the District and the Fiscal Agent are furnished with indemnity satisfactory to them, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Series 1988 Bond of like tenor, maturity date and interest rate in lieu of and in substitution for the destroyed, lost or stolen Series 1988 Bond. The Fiscal Agent may require payment of a sum not exceeding the actual cost of preparing each new Series 1988 Bond authenticated and delivered by it under this section and of the expenses which may be incurred by it under this section. Any replacement Series 1988 Bond executed, authenticated and delivered under the provisions of this section in lieu of and in substitution for any mutilated, destroyed, lost or stolen Series 1988 Bond shall be equally and proportionately entitled to the benefit, protection and security hereof with all other Series 1988 Bonds executed, authenticated and delivered hereunder; and the Fiscal Agent shall not be required to treat both the original Series 1988 Bond and any replacement Series 1988 Bond as being Outstanding for the purpose of determining the principal amount of Series 1988 Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Series 1988 Bonds Outstanding hereunder, but both the original and the replacement Series 1988 Bond shall be treated as one and the same. Notwithstanding any other provision of this section,

rather than executing, authenticating and delivering a new Series 1988 Bond for a mutilated, destroyed, lost or stolen Series 1988 Bond which has matured or which has been called for redemption, the Fiscal Agent may make payment of such mutilated, destroyed, lost or stolen Series 1988 Bond directly to the Holder thereof under such regulations as the Fiscal Agent may prescribe.

Section 2.10. Application of Proceeds of Sale of Series 1988 Bonds; Acquisition and Improvement Fund. At any time after the adoption hereof, the District may sell the Series 1988 Bonds in accordance with the Law. After such sale, the District shall execute the Series 1988 Bonds for issuance under the Resolution and shall deliver them to the Fiscal Agent, and thereupon the Series 1988 Bonds shall be authenticated and delivered by the Fiscal Agent upon the Written Request of the District and upon receipt of payment therefor from the purchaser thereof. Upon receipt of payment for the Series 1988 Bonds from the purchaser thereof, the Fiscal Agent shall set aside and deposit the proceeds received from such sale and delivery in the following respective funds and in the following order of priority:

- (a) The Fiscal Agent shall deposit in the Interest Account the amount of the accrued interest on the Series 1988 Bonds.



(b) The Fiscal Agent shall deposit in the Bond Reserve Account an amount equal to the Reserve Requirement.

(c) The Fiscal Agent shall transfer the remainder of such proceeds to the District, which shall deposit such proceeds in the Vandenberg Village Community Services District Sewer Acquisition and Improvement Fund, which fund is hereby established and which fund the District hereby agrees and covenants to maintain so long as any Bonds shall be Outstanding hereunder. The money in the Acquisition and Improvement Fund shall be used and disbursed in the manner provided by law for the purpose of acquiring the Enterprise and constructing improvements thereto (or for making reimbursements to the District for any costs thereof theretofore paid by it), including payment of all costs incidental to or connected with the acquisition of the Enterprise and the construction of improvements thereto. Any balance of money remaining in the Acquisition and Improvement Fund from the proceeds of the Series 1988 Bonds after the date of completion of the acquisition of the Enterprise and the construction of improvements thereto, as evidenced by an Engineer's Opinion on file with the Fiscal Agent, shall be transferred by the District to the Fiscal Agent and shall be deposited by the Fiscal Agent in the Bond Reserve Account to the extent necessary at that time to restore

the Bond Reserve Account to the Reserve Requirement, and any then remaining balance shall be deposited by the Fiscal Agent in the Revenue Fund.

Section 2.11. Validity of Series 1988 Bonds. The validity of the authorization, execution, authentication and delivery of the Series 1988 Bonds shall not be affected in any way by any proceedings taken by the District for the acquisition of the Enterprise and the construction of improvements thereto, or by any contracts made by the District in connection therewith, and shall not be dependent upon the completion of the acquisition of the Enterprise and the construction of improvements thereto or upon the performance by any person of his obligation with respect thereto, and the recitals contained in the Series 1988 Bonds that the same are issued under the Law and pursuant thereto shall be conclusive evidence of their validity and of the regularity of their issuance.

### ARTICLE III

#### ISSUANCE OF ADDITIONAL BONDS

Section 3.01. Conditions for the Issuance of Additional Bonds. The District may at any time issue Additional Bonds payable from the Net Revenues and secured by a pledge of and lien on the Net Revenues equal to the pledge and lien securing the Outstanding Bonds theretofore issued hereunder, but only subject to the following specific

conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

(a) The District shall be in compliance with all agreements, conditions, covenants and terms contained herein and in all Supplemental Resolutions theretofore adopted by the Board of Directors, and a Certificate of the District to that effect shall have been filed with the Fiscal Agent and the Bond Insurer.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Resolution duly adopted by the Board of Directors which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued; provided, that the proceeds of such Additional Bonds shall be applied solely for (i) the purpose of providing funds to finance the costs of the acquisition and construction of improvements to the Enterprise, including payment of all costs incidental to or connected with such acquisition and construction, and/or (ii) the purpose of refunding any Outstanding Bonds,

including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided, that (i) each maturity date shall fall upon November 1, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number or denomination, and (iii) fixed serial maturities shall be scheduled or sinking fund payments shall be established, or any combination thereof shall be provided, to provide for the retirement and payment of all such Additional Bonds on or before their respective maturity dates;

(4) The interest payment dates for such Additional Bonds; provided, that the interest payment dates shall (after the first year) be on May 1 and November 1 of each year;

(5) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(6) The amount and due date of each sinking fund payment, if any, established for such Additional Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Bond Reserve Account; provided, that the Bond Reserve Account shall be increased at the time such Additional Bonds become Outstanding to an amount equal to the Reserve Requirement with respect to all Outstanding Bonds, and an amount equal to the Reserve Requirement with respect to all Outstanding Bonds shall thereafter be maintained in the Bond Reserve Account;

(9) The amount to be deposited from the proceeds of such Additional Bonds in the Acquisition and Improvement Fund;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent herewith.

(c) The audited Net Revenues (excluding from such calculation of Net Revenues all connection charges and investment income) for the last Fiscal Year or last recorded twelve-month period preceding the date of the adoption by the Board of Directors of the Supplemental Resolution providing for the issuance of such Additional Bonds, as shown by an

Accountant's Report on file with and approved by the Fiscal Agent (who shall be under no liability by reason of such approval); plus

(i) An allowance for Net Revenues (excluding from such calculation of Net Revenues all connection charges and investment income) for such Fiscal Year or twelve-month period from any improvements to the Enterprise to be acquired and constructed with the proceeds of such Additional Bonds or with the proceeds of any money from any other source, and also for Net Revenues (excluding from such calculation of Net Revenues all connection charges and investment income) from any such improvements which have been acquired and constructed from money from any source but which, during all or any part of such Fiscal Year or twelve-month period, were not in service, all in an amount equal to seventy-five per cent (75%) of the estimated additional average annual Net Revenues (excluding from such calculation of Net Revenues all connection charges and investment income) to be derived from such improvements for the first twelve (12) months in which each such improvement is respectively to be in operation, all as shown by an Engineer's Opinion on file with and approved by the Fiscal Agent (who

shall be under no liability by reason of such approval); and

(ii) An allowance for earnings arising from any increase in the rates, fees and charges fixed and prescribed for the Sewer Service which became effective prior to the issuance of such Additional Bonds but which, during all or any part of such Fiscal Year or twelve-month period, was not in effect, in an amount equal to seventy-five per cent (75%) of the amount by which the Net Revenues (excluding from such calculation of Net Revenues all connection charges and investment income) would have been increased if such increase in rates, fees and charges had been in effect during the whole of such Fiscal Year or twelve-month period, as shown by an Engineer's Opinion on file with and approved by the Fiscal Agent (who shall be under no liability by reason of such approval);

shall have produced a sum equal to at least one hundred twenty per cent (120%) of the Maximum Annual Debt Service on all Outstanding Bonds and such Series of Bonds; provided, that in the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Bonds, interest and principal payments on the Outstanding Bonds to be so refunded and retired from the proceeds of such Additional Bonds being

issued shall be excluded from the foregoing computation of Maximum Annual Debt Service.

Nothing contained herein shall limit the issuance of any sewer revenue bonds of the District payable from the Net Revenues and secured by a pledge of and lien on the Net Revenues if, after the issuance and delivery of such sewer revenue bonds, none of the Bonds theretofore issued hereunder will be Outstanding.

Section 3.02. Procedure for the Issuance of Additional Bonds. All the Additional Bonds shall be executed by the District for issuance hereunder and delivered to the Fiscal Agent and thereupon shall be authenticated and delivered by the Fiscal Agent upon the Written Request of the District, but only upon receipt by the Fiscal Agent of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of authentication and delivery of such Additional Bonds by the Fiscal Agent (unless the Fiscal Agent shall accept any of such documents bearing a prior date):

- (1) A certified copy of the Supplemental Resolution authorizing the issuance of such Additional Bonds;
- (2) A Written Request of the District as to the delivery of such Additional Bonds;
- (3) An opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that (a) the Board of Directors has the right



and power under the Law to adopt the Resolution and all Supplemental Resolutions, and the Resolution and all such Supplemental Resolutions have been duly and lawfully adopted by the Board of Directors, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against special districts in the State of California), and no other authorization for the adoption of the Resolution or such Supplemental Resolutions is required; (b) the Resolution creates the valid pledge of and lien on the Net Revenues which it purports to create as provided herein, subject to the application thereof to the purposes and on the conditions and terms permitted hereby; and (c) such Additional Bonds are valid and binding special obligations of the District, are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights, by

the application of equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against special districts in the State of California) and the terms hereof and all such Supplemental Resolutions and are entitled to the benefit, protection and security hereof and of all such Supplemental Resolutions and of the Law, and such Additional Bonds have been duly and validly authorized, executed, authenticated and delivered in accordance with the Law and herewith and all such Supplemental Resolutions;

(4) A Certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements hereof; and

(5) Such further documents, money and securities as are required by the provisions hereof and of the Supplemental Resolution providing for the issuance of such Additional Bonds.

#### ARTICLE IV

##### REVENUES AND ACCOUNTS

Section 4.01. Pledge of Net Revenues; Revenue Fund. All the Net Revenues are hereby irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Net

Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by Section 4.03. This pledge shall constitute a first and exclusive lien on the Net Revenues for the payment of the Bonds in accordance with the terms hereof and thereof. All the Revenues, together with any interest earned thereon, shall, so long as any Bonds shall be Outstanding hereunder, be deposited when and as received by the District in the Vandenberg Village Community Services District Sewer Revenue Fund, which fund is hereby established and which fund the District hereby agrees and covenants to maintain so long as any Bonds shall be Outstanding hereunder.

Section 4.02. Receipt and Deposit of Revenues. The District agrees and covenants that all Revenues, when and as received, will be received and held by the District in trust hereunder and will be deposited by the District in the Revenue Fund and will be accounted for through the Revenue Fund, and the District shall have no beneficial right or interest in any money in the Revenue Fund except only as provided herein. All money in the Revenue Fund, whether held by the District in trust or deposited with the Fiscal Agent as trustee, all as herein provided, shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this article set forth, and shall be accounted for separately and apart

from all other money, funds, accounts or other resources of the District.

Section 4.03. Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues. All money in the Revenue Fund shall be set aside by the District or deposited with the Fiscal Agent in the following respective special accounts within the Revenue Fund (each of which is hereby established and each of which the District hereby agrees and covenants to maintain so long as any Bonds shall be Outstanding hereunder) in the following order of priority:

(1) Maintenance and Operation Account (held by the District);

(2) Interest Account (held by the Fiscal Agent);

(3) Principal Account (held by the Fiscal Agent);

(4) Bond Reserve Account (held by the Fiscal Agent); and

(5) Surplus Account (held by the District).

All money in each of such accounts shall be held in trust by the District or the Fiscal Agent and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(1) Maintenance and Operation Account. On or before the date the first Bonds become Outstanding, the District shall deposit from other available funds of the District in the Maintenance and Operation Account a sum at least equal to the amount required by the District for

the payment of budgeted Maintenance and Operation Costs for the period commencing on such date and continuing until January 1, 1989. On or before the first day of each month, beginning in January, 1989, the District shall, from the money in the Revenue Fund, deposit in the Maintenance and Operation Account a sum equal to the amount required by the District for the payment of budgeted Maintenance and Operation Costs during such month, except that if no budget has yet been prepared for such month, such deposit shall be of a sum equal to the amount expended by the District for the payment of Maintenance and Operation Costs for the same month in the next preceding year. Money in the Maintenance and Operation Account shall be used only to pay the budgeted Maintenance and Operation Costs as they become due and payable.

(2) Interest Account. On or before the first day of each month, beginning in January, 1989, the District shall, from the remaining money in the Revenue Fund, deposit with the Fiscal Agent in the Interest Account a sum equal to one-tenth (1/10) of the difference between the amount then on deposit in the Interest Account and the aggregate amount of interest becoming due and payable on all Outstanding Bonds on November 1, 1989, and thereafter, on or before the first day of the month, beginning in December, 1989, the District shall, from the

remaining money in the Revenue Fund, deposit with the Fiscal Agent in the Interest Account a sum equal to one-fifth (1/5) of the aggregate amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date.

No deposit need be made into the Interest Account if the amount contained therein is at least equal to the amount of interest to become due and payable on all Outstanding Bonds on the next succeeding interest payment date.

All money in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(3) Principal Account. On or before the first day of each month, beginning in January, 1989, the District shall, from the remaining money in the Revenue Fund, deposit with the Fiscal Agent in the Principal Account a sum equal to (a) one-tenth (1/10) of the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on the next succeeding November 1, plus (b) one-tenth (1/10) of the aggregate amount of the annual sinking fund account payments required to be made during the year ending on the next succeeding November 1 into the respective sinking fund accounts for all

Outstanding Term Bonds for which sinking fund accounts shall have been established.

No deposit need be made into the Principal Account so long as there shall be in such account (a) money sufficient to pay the principal of all Outstanding Serial Bonds maturing by their terms on the next succeeding November 1, plus (b) the aggregate of all annual sinking fund account payments required to be made during the year ending on the next succeeding November 1.

All money in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the principal of the Bonds as they shall become due and payable, except that all money in any sinking fund account shall be used and withdrawn by the Fiscal Agent only to purchase or to redeem Term Bonds for which such sinking fund account was created.

(4) Bond Reserve Account. On or before the first day of each month, beginning in January, 1989, the District shall, from the remaining money in the Revenue Fund, deposit with the Fiscal Agent in the Bond Reserve Account in equal deposits over the next ensuing twenty-four month period such amount of money as shall be required to increase or restore the Bond Reserve Account to an amount equal to the Reserve Requirement at the end of such twenty-four month period.

No deposit need be made into the Bond Reserve Account if the amount contained therein is at least equal to the Reserve Requirement.

If on any November 1 the amount in the Bond Reserve Account exceeds the Reserve Requirement and if the District is not then in default hereunder, the Fiscal Agent shall, upon receipt of a Certificate of the District that the District is not then in default under the Resolution and all Supplemental Resolutions, withdraw the amount of any such excess from such account and shall pay such amount to the District for deposit in the Surplus Account. Except for such withdrawals, all money in the Bond Reserve Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of eliminating any deficiency which may exist at any time in either of the accounts established by Sections 4.03(2) and (3), in such order, in the event of any deficiency at any time in either of such accounts, or for the purpose (together with any other money of the District) of retiring all Outstanding Bonds.

(5) Surplus Account. All money remaining in the Revenue Fund on the first day of each month, beginning in January, 1989, after setting aside and depositing all of the sums required to be set aside or deposited therefrom by the provisions of Sections 4.03(1), (2), (3) and (4) hereof, shall be deposited by the District in the Surplus



Account. All money in the Surplus Account shall be used and withdrawn by the District solely for the purpose of eliminating any deficiency which may exist at any time in any of the accounts established by Sections 4.03(1), (2), (3) and (4), in such order, in the event of a deficiency at any time in any of such accounts; provided, that any money in the Surplus Account (so long as no such deficiency shall then be in existence) may be expended by the District at any time to pay any unbudgeted Maintenance and Operation Costs or to pay any expense or cost incurred in connection with the acquisition and construction of improvements to the Enterprise. All money in the Surplus Account on November 1 of each year (beginning in November, 1989, and so long as the District shall have been in compliance with Section 5.14 during the Bond Year ending on such November 1) shall be withdrawn therefrom and deposited in the District's general fund for expenditure for any lawful purpose of the District; provided, that the District shall not withdraw any money from the Surplus Account if and when it is in default hereunder.

## ARTICLE V

### COVENANTS OF THE DISTRICT

Section 5.01. Punctual Payment. The District will punctually pay the interest on and principal of and redemption

premiums, if any, on all the Bonds in strict conformity with the terms hereof and of the Bonds, and will faithfully observe or perform all agreements, conditions, covenants and terms contained herein required to be observed or performed by it.

Section 5.02. Against Encumbrances. The District will not make any pledge of or place any lien on the Net Revenues except as provided herein, and will not issue any obligations payable in whole or in part from the Net Revenues superior to or on a parity with the Bonds (other than Additional Bonds).

Section 5.03. Against Sale, Disposition or Lease of the Enterprise. The District will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Revenues except as herein expressly permitted. The District will not enter into any lease which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the interest on and principal of and redemption premiums, if any, on the Bonds, or which would otherwise impair the rights of the Holders with respect to the Net Revenues or the operation of the Enterprise. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment for the Enterprise which has worn out, may be sold, exchanged or otherwise disposed of at not less than the market

value thereof if such sale, exchange or disposition will not reduce Net Revenues and if all of the net proceeds of such sale, exchange or disposition are deposited in the Revenue Fund.

Section 5.04. Against Federal Income Taxation.

(a) The District will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on any Bonds issued as obligations the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and specifically the District will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause such Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the District, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the District shall obtain an opinion of counsel of recognized standing in the field of law relating to

municipal bonds to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on such Bonds pursuant to Section 103 of the Code, the District may rely conclusively on such opinion in complying with the previous hereof. In the event that at any time the District is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent hereunder or otherwise, the District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the District will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is hereby established in the treasury of the District a fund to be known as the Vandenberg Village Community Services District Sewer Revenue Bonds Rebate Fund. The District will comply with the provisions of the Rebate Certificate with respect to making deposits in the Rebate Fund, and moneys held in the Rebate Fund are pledged to provide payments to the United States of America as provided herein and in the Rebate Certificate and no other person shall

have claim to such moneys except as provided in the Rebate Certificate.

Section 5.05. Against Competitive Facilities. The District will not acquire, construct, maintain or operate, and will not within the scope of its powers permit any other public or private corporation, political subdivision, district or agency or any person whomsoever to acquire, construct, maintain or operate, within the District or any part thereof, any system or utility competitive with the Enterprise.

Section 5.06. Acquisition of the Enterprise and Construction of Improvements to the Enterprise. The District will acquire the Enterprise and construct the improvements to the Enterprise to be financed with the proceeds of the Bonds with all practicable dispatch and consistent with all contracts entered into for such purpose, and such acquisition and construction will be made in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 5.07. Maintenance and Operation of the Enterprise. The District will maintain and preserve the Enterprise in good repair and working order at all times from the Revenues available for such purpose, and will operate the Enterprise in an efficient and economical manner and in conformance with all valid requirements of any governmental authority; provided, that nothing contained herein shall require the District to operate the Enterprise in conformance

with such requirements so long as it shall in good faith contest the validity of any such requirements.

The District will file with the Fiscal Agent, on or before the day on which the first Bonds become Outstanding, a budget setting forth the estimated Maintenance and Operation Costs for the period from such date until the close of the then current Fiscal Year. On or before the first day of each Fiscal Year thereafter, the District will file with the Fiscal Agent a budget setting forth the estimated Maintenance and Operation Costs for such Fiscal Year.

Section 5.08. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or any part thereof, or on any funds in the hands of the Fiscal Agent, or which might impair the security of the Bonds; provided, that nothing contained herein shall require the District to make any such payments so long as it shall in good faith contest the validity of any such claims.

Section 5.09. Insurance.

(a) The District will procure and maintain insurance on the Enterprise in such amounts and against such risks (including accident to or destruction of any portion of the Enterprise) as are usually insurable in connection with similar sewer collection, treatment and disposal systems. Such insurance shall be adequate in amount and as to the risks insured against and shall be maintained with responsible

insurers. All such insurance policies shall contain a loss payable clause making any loss thereunder payable to the Fiscal Agent as its interests may appear (except that proceeds for any one loss not exceeding fifty thousand dollars (\$50,000) shall be paid to the District).

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise, and the District shall cause such work of repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and the Fiscal Agent shall pay out of the proceeds of such insurance paid to it, upon receipt of a Written Request of the District, all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims, and if the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be deposited by the Fiscal Agent in the Revenue Fund; provided, that if the proceeds of such insurance are sufficient to enable the District to retire all Outstanding Bonds, the District may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Enterprise, and thereupon, upon

receipt of a Written Request of the District, such proceeds shall be applied by the Fiscal Agent to redeem or purchase all Outstanding Bonds, in the manner specified in Section 5.15.

(b) The District will procure and maintain adequate fidelity insurance or bonds on all directors, officers and employees of the District handling or responsible for any Revenues, which insurance or bonds shall be in an aggregate amount at least equal to the maximum amount of such Revenues at any one time in the custody of such directors, officers and employees.

(c) The District will procure and obtain a policy of title insurance from a recognized title insurance company upon the acquisition by it of any real property in fee simple comprising any portion of the Enterprise insuring the District for the full cost of acquisition of such real property, excluding any improvements thereon.

(d) The District will procure and maintain public liability insurance covering claims against the District (including directors, officers and employees of the District) for bodily injury or death, or damage to property occasioned by reason of the District's operations, including any use or occupancy of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar sewer collection, treatment and disposal systems; provided, that such insurance



may be effected under a self-insurance program that is actuarially sound as certified by an independent consultant.

(e) The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise; provided, that such insurance may be effected under a self-insurance program that is actuarially sound as certified by an independent consultant.

(f) All policies of insurance required to be maintained herein shall provide that the Bond Insurer and the Fiscal Agent shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby; provided, that the Fiscal Agent shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by it.

Section 5.10. Books and Accounts; Financial Statements.

(a) The District will keep proper books of record and accounts of the Enterprise, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to

the Enterprise. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or the Holders of not less than ten per cent (10%) of the principal amount of all Bonds then Outstanding or their representatives authorized in writing.

(b) The District will prepare and file with the Fiscal Agent annually as soon as practicable, but in any event not later than one hundred twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989), a financial statement (prepared in accordance with Generally Accepted Accounting Principles) of the District relating to the Acquisition and Improvement Fund and the Revenue Fund and each of the accounts therein for the preceding Fiscal Year accompanied by a related opinion of an Independent Certified Public Account, showing (among other things) the balances in such funds and in such accounts as of the beginning of such Fiscal Year and all deposits in and withdrawals from such funds and such accounts during such Fiscal Year and the balances in such funds and in such accounts as of the end of such Fiscal Year, which opinion shall include a statement as to the manner and extent to which the District has complied with the provisions hereof as they relate to such funds and accounts. The District will also prepare and file with the Fiscal Agent annually as soon as practicable, but in any event not later than one hundred twenty (120) days after the close of each Fiscal Year

(commencing with the Fiscal Year ending June 30, 1989), a statement showing the physical condition of the Enterprise as of the close of such Fiscal Year and listing all insurance policies relating to the Enterprise carried by the District as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the risks covered thereby.

(c) The District will prepare annually as soon as practicable, but in any event not later than one hundred twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989), a summary statement showing the amount of the Revenues and the disbursements from the Revenues, in reasonable detail, for the preceding Fiscal Year, and a general statement of the physical condition of the Enterprise. The District will furnish a copy of such summary statement to any Holder upon request, and will furnish to the Fiscal Agent such reasonable number of copies thereof as may be required by the Fiscal Agent for distribution (at the expense of the District) to investment bankers, security dealers and others interested in the Bonds and to the Holders requesting copies thereof.

(d) The District will forward to the Bond Insurer (i) a copy of each preliminary budget when prepared, and (ii) a copy of each final budget when adopted, and (iii) a copy of each annual audited financial statement within thirty (30) days of its acceptance by the District, but in no event

later than one hundred twenty (120) days after the close of each Fiscal Year, together with evidence of all insurance carried by the District under the Resolution and a statement as to the compliance by the District with Section 5.14 and a statement indicating the market value of the funds on deposit in the Bond Reserve Account as of the end of the immediately preceding Fiscal Year; and the District will immediately advise the Bond Insurer at any time if the Fiscal Agent makes a draw on the Bond Reserve Account.

Section 5.11. Protection of Security and Rights of Holders. The District will preserve and protect the security of the Bonds and the rights of the Holders, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the District, such Bonds shall be incontestable by the District.

Section 5.12. Payment of Taxes and Other Governmental Charges. The District will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon any Revenues as and when the same shall become due; provided, that nothing contained herein shall require the District to make any such payments so long as it shall in good faith contest the validity of any such taxes, service charges, assessments or other governmental charges.

Section 5.13. Collection of Rates, Fees and Charges. The District will at all times require that all persons using the Sewer Service pay the rates, fees and charges applicable to the Sewer Service made available or provided to such persons. The District will not permit any part of the Enterprise, or any facility thereof, to be used, or taken advantage of, free of charge by any person, firm or corporation, or by any public agency (including the United States of America, the State of California and any public corporation, political subdivision, city, county, district or agency of any thereof). The District will diligently enforce all its rights contained in the contracts entered into by it to provide Sewer Service.

Section 5.14. Amount of Rates, Fees and Charges.

(a) The District will, at all times while any of the Bonds shall be Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Sewer Service so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the order below set forth:

- (1) All Maintenance and Operation Costs.
- (2) The interest on and principal of and redemption premiums, if any, on the Bonds as they become due and payable.

(3) All payments required for compliance with the terms hereof and of all Supplemental Resolutions.

(4) All payments to meet any other obligations of the District which are charges, liens or encumbrances on or payable from the Revenues.

(b) In addition to the requirements of the foregoing subsection (a), the District will, at all times while any of the Bonds shall be Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Sewer Service so as to yield Net Revenues during each Fiscal Year equal to at least one hundred twenty per cent (120%) of the Annual Debt Service for such Fiscal Year; provided, that in determining such Net Revenues there shall be excluded all connection charges and investment income, except that investment income may be included in an amount equal to the lesser of 5.50% per annum or the current passbook savings rate, which rate may be applied to the balances in the Bond Reserve Account and any other Enterprise funds that will earn interest throughout the year, so long as the investment income included in the calculation of such Net Revenues is not in excess of 10% of the Annual Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce such rates, fees and charges below those then in effect unless the Net Revenues from such reduced rates, fees and

charges will at all times be sufficient to meet the requirements of this section.

Section 5.15. Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the net proceeds realized by the District therefrom shall be deposited by the District with the Fiscal Agent in a special fund in trust and applied by the District to the cost of acquiring and constructing improvements to the Enterprise if (A) the District first secures and files with the Fiscal Agent an Engineer's Opinion showing (i) the estimated loss in annual Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the District from such proceeds, and (iii) an estimate of the additional Revenues to be derived from such improvements; and (B) the Fiscal Agent, on the basis of such Engineer's Opinion, determines that such additional Revenues will sufficiently offset the loss of Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired, which determination shall be final and conclusive. If the foregoing conditions are met, the District shall then promptly proceed with the acquisition and construction of such improvements substantially in accordance with such Engineer's Opinion and payments for such acquisition and construction

shall be made by the Fiscal Agent from such proceeds and from other money of the District lawfully available therefor, and any balance of such proceeds not required by the District for this purpose shall be deposited in the Revenue Fund. If the foregoing conditions are not met, then such proceeds shall be applied by the Fiscal Agent pro rata to the redemption or purchase of the Bonds then Outstanding, and if the Fiscal Agent is unable to purchase or redeem Bonds in amounts sufficient to exhaust the available moneys, the remainder of such moneys shall be held in trust by the Fiscal Agent and applied to the payment of the Bonds as the same become due by their terms, and, pending such application, such remaining moneys may be invested by the Fiscal Agent in the manner provided in Section 10.10 for the investment of moneys in the Bond Reserve Account.

If such eminent domain proceedings have had no effect, or at most a relatively immaterial effect, upon the Revenues and the security of the Bonds, and an Engineer's Opinion to such effect has been filed with the Fiscal Agent, the Fiscal Agent may so determine, which determination by the Fiscal Agent shall be final and conclusive and, upon notice thereof, the District shall forthwith deposit such proceeds in the Revenue Fund.

Section 5.16. Further Assurances. The District will adopt, enact, make, execute and deliver any and all such further resolutions, ordinances, instruments and assurances as



may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein.

## ARTICLE VI

### THE FISCAL AGENT

Section 6.01. The Fiscal Agent. State Street Bank and Trust Company of California, N.A., at its principal office in Los Angeles, California, is hereby appointed Fiscal Agent of the District for the purpose of receiving all money which the District is required to deposit with the Fiscal Agent hereunder and for the purpose of allocating, using and applying the same as provided herein and for the purpose of performing the other obligations imposed on it herein. The District agrees that it will maintain a Fiscal Agent having a principal office in Los Angeles, California, so long as any Bonds shall be Outstanding.

The Fiscal Agent is hereby authorized to pay interest on the Bonds due on or before their maturity dates or on redemption prior thereto to the Holders as of the times herein provided as their names appear on the registration books maintained for the Bonds by it, such interest to be paid by check mailed to the Holders at their addresses appearing in such books or at such other addresses as may have been filed with the Fiscal Agent for that purpose, and to pay to the

Holders the principal of and redemption premiums, if any, on the Bonds upon presentation and surrender of the Bonds to the Fiscal Agent on their maturity dates or on redemption prior thereto. The Fiscal Agent shall cancel all Bonds upon payment thereof or upon the surrender thereof by the District and shall return the same so cancelled to the District. The Fiscal Agent shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The District may at any time in its sole discretion (and shall upon the written direction of the Bond Insurer) remove the Fiscal Agent initially appointed, and any successor thereto, and the Fiscal Agent initially appointed, and any successor thereto, may at any time resign by giving written notice to the Bond Insurer and to the District and by giving notice by mail in accordance with Section 10.09 to the Holders of all Outstanding Bonds of such resignation. Upon giving any such notice of removal or upon receiving any such notice of resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing; provided, that in the event the District does not appoint a successor Fiscal Agent within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Fiscal Agent may petition any appropriate court having jurisdiction to appoint a successor Fiscal Agent. Any successor Fiscal Agent shall be a bank or trust company doing business and having a principal

office in Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal or resignation of a Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by a successor Fiscal Agent.

The District shall from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its rights and obligations hereunder, and indemnify and save the Fiscal Agent harmless against liabilities not arising from its own gross negligence or willful misconduct which it may incur in the exercise and performance of its rights and obligations hereunder.

Section 6.02. Liability of Fiscal Agent. The recitals of facts and the agreements, conditions, covenants and terms contained herein and in the Bonds shall be taken as statements, agreements, conditions, covenants and terms of the District, and the Fiscal Agent does not assume any responsibility for the correctness of the same, and does not make any representation as to the validity or sufficiency hereof or of the Bonds, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations assigned to or imposed upon it herein or in the Bonds. The Fiscal Agent shall not be liable in connection with the observance or performance of its rights and obligations hereunder, except for its own gross negligence or willful misconduct.

Section 6.03. Notice to Fiscal Agent. The Fiscal Agent shall be protected in acting upon any Bond, certificate, consent, notice, order, report, request or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations hereunder the Fiscal Agent shall deem it necessary

or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a Certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

#### ARTICLE VII

##### AMENDMENT OF THE RESOLUTION

Section 7.01. Amendment by Consent of Holders. The Resolution and the rights and obligations of the District and of the Holders may be amended at any time by a Supplemental Resolution which shall become binding when the written consents of (1) the Holders of sixty per cent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, and (2) the Bond Insurer, are filed with the Fiscal Agent. No such amendment shall (1) extend the maturity of or reduce the interest rate or redemption premium, if any, on, or otherwise alter or impair the obligation of the District to pay the interest on or principal of or redemption premium, if any, on

any Bond at the time and place and at the rate and in the currency provided herein, without the express written consent of the Holder of such Bond, or (2) permit the creation by the District of any pledge of or lien on the Net Revenues superior to or on a parity with the pledge of and lien on the Net Revenues created herein for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any of the rights or obligations of the Fiscal Agent without its prior written assent thereto.

The Resolution and the rights and obligations of the District and of the Holders may also be amended at any time by a Supplemental Resolution which shall become binding upon adoption, without the consent of any Holders, but with the written consent of the Bond Insurer, but only to the extent permitted by law and only for any one or more of the following purposes --

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

(b) to make such provisions for the purpose of curing any ambiguity contained herein, or of curing,

correcting or supplementing any defective provision contained herein, or in regard to questions arising hereunder, as the District may deem necessary or desirable and not inconsistent herewith, and which in any case shall not adversely affect the interests of the Holders; or

(c) to provide for the issuance of any Additional Bonds, and to provide the conditions and terms under which such Additional Bonds may be issued, subject to and in accordance with the provisions of Article III.

Section 7.02. Disqualified Bonds. Bonds owned by or held for the account of the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this article, and shall not be entitled to consent to or take any other action provided for in this article; provided, that for the purpose of determining whether the Fiscal Agent shall be protected in relying on any such consent or other action, only Bonds which the Fiscal Agent knows are owned by or held for the account of the District shall not be deemed Outstanding.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinafter provided, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date

and presentation of such Bond for that purpose at the office of the Fiscal Agent, a suitable notation as to such action shall be made on such Bond. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared, executed and authenticated, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of such Bond for that purpose at the office of the Fiscal Agent, such new Bonds shall be exchanged without cost to each Holder for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by such Holder, provided that due notation thereof is made on such Bonds.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following events (herein called "events of default") shall happen, that is to say --

- (a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein



expressed, by proceedings for redemption, by declaration or otherwise, and such default shall have continued for a period of thirty (30) days;

(b) if default shall be made in the due and punctual payment of the interest on any Bond when and as such interest shall become due and payable, and such default shall have continued for a period of thirty (30) days;

(c) if default shall be made by the District in the observance or performance of any of the other agreements, conditions, covenants or terms contained herein or in the Bonds required to be observed or performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Fiscal Agent, or by the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(d) if the District shall file a petition or answer seeking reorganization or arrangement under the bankruptcy laws of the United States of America or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition, filed with the consent of the District, seeking reorganization under the bankruptcy laws of the United States of America or any

other applicable law of the United States of America or any state therein, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property;

then, and in each and every such case during the continuance of such event of default, the Fiscal Agent may (with the prior written consent of the Bond Insurer), and upon the written request of the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding and the written direction of the Bond Insurer shall, by notice in writing to the District, declare the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained herein or in the Bonds to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the District shall deposit with the Fiscal Agent a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with

interest at the rate of twelve per cent (12%) per annum on such overdue installments of interest and principal, and the reasonable expenses of the Fiscal Agent, and any and all other defaults known to the Fiscal Agent (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Fiscal Agent or provision deemed by the Fiscal Agent to be adequate shall have been made therefor, then, and in every such case, the Holders of at least twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding (with the prior written consent of the Bond Insurer), by written notice to the District and to the Fiscal Agent, may, on behalf of the Holders of all of the Bonds then Outstanding, rescind and annul such declaration and its consequences. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Within thirty (30) days after the occurrence of any event of default hereunder, the Fiscal Agent shall give written notice of such event of default to the Bond Insurer, and within ninety (90) days after the occurrence of any event of default hereunder, the Fiscal Agent shall, unless such event of default shall have been cured or waived, mail in accordance with Section 10.09 a notice of such event of default to the Holders of all Outstanding Bonds.

Section 8.02. Application of Funds Upon

Acceleration. All the Revenues and all money in the funds and accounts provided for in Sections 2.10 and 4.01 and 4.03 upon the date of the declaration of acceleration by the Fiscal Agent as provided in Section 8.01, and all Revenues thereafter received by the District hereunder, shall be transmitted to the Fiscal Agent and shall be applied by the Fiscal Agent in the following order --

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants, counsel and engineers, and to the payment of the costs and expenses of the Fiscal Agent in carrying out the provisions of this article, including reasonable compensation to its accountants, counsel and engineers;

Second, to the payment of the Maintenance and Operation Costs; and

Third, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of twelve per cent (12%) per annum, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and

interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Section 8.03. Other Remedies of Holders. Any Holder (with the prior written consent of the Bond Insurer) shall have the right for the equal benefit and protection of all Holders similarly situated --

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the directors, officers and employees of the District, and to compel the District or any such directors, officers or employees to observe and perform and carry out their duties under the Law and the agreements, conditions, covenants and terms contained herein;

(b) by a suit in equity to enjoin any acts which are unlawful or violate the rights of the Holders; or

(c) upon the happening of an event of default (as defined in Section 8.01), by a suit in equity to require the District and its directors and officers to account as the trustee of an express trust.

Section 8.04. Non-Waiver. Nothing in this article or in any other provision hereof or in the Bonds shall affect or impair the obligation of the District, which is absolute

and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders thereof at the respective dates of maturity or on prior redemption, as provided herein, out of the Net Revenues pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Holders to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any default or breach of duty or contract by any Holder or the Bond Insurer shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission of any Holder or the Bond Insurer to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein; any every right and remedy conferred upon the Holders and the Bond Insurer by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by such Holders and the Bond Insurer.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder or the Bond Insurer, the District and such Holder and the Bond Insurer shall be restored to their

former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 8.05. Actions by Fiscal Agent as Attorney-in-Fact. Any suit, action or proceeding which any Holder shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit, protection and security of all Holders, and the Fiscal Agent is hereby appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Holders for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Holders as a class or classes as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

Section 8.06. Remedies Not Exclusive. No remedy conferred herein upon or reserved herein to the Holders is intended to be exclusive of any other remedy. 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, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Indebtedness.

(a) If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds the interest on and the principal of and the redemption premiums, if any, on all Outstanding Bonds at the times and in the manner stipulated herein and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of Net Revenues, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by the District for the benefit of such Holders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the District all money or securities held by it hereunder which are not required for the payment of the interest on and the principal of and the redemption premiums, if any, on such Bonds.

(b) Any Bonds shall prior to their maturity dates or redemption dates be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if money shall have been set aside (through deposit by the District or otherwise) to be held in trust by



the Fiscal Agent for the payment or redemption of such Bonds on their maturity dates or redemption dates.

(c) Any Bonds shall prior to their maturity dates or redemption dates be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity dates, the District shall have given to the Fiscal Agent in form satisfactory to it irrevocable instructions to mail in accordance with Section 10.09 a notice of redemption to the Holders of such Bonds on such date, (2) there shall have been irrevocably deposited with the Fiscal Agent either money in an amount which shall be sufficient or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) not subject to redemption prior to their maturities the interest on and the principal of which when paid will provide money which, together with the money, if any, deposited with the Fiscal Agent at the same time, shall be sufficient to pay when due the interest due and to become due on such Bonds on and prior to their maturity dates or redemption dates, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on such maturity dates or redemption dates, as the case may be, (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the

District shall have given the Fiscal Agent in form satisfactory to it irrevocable instructions to mail in accordance with Section 10.09 a notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Fiscal Agent and that such Bonds are deemed to have been paid in accordance with this section, and stating such maturity dates or redemption dates, as the case may be, upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds, and (4) the Bond Insurer shall have been notified and provided with draft copies of the proposed escrow agreement, the Independent Certified Public Accountant's verification, the proposed preliminary official statement of the refunding issue (if applicable) and the proposed bond counsel opinion, all of which materials shall be delivered to the Bond Insurer no less than five (5) business days prior to the scheduled defeasance, and a copy of the escrow agreement and the Independent Certified Public Accountant's verification stating that the escrow is sufficient to meet the standards of this section. The final official statement for the refunding issue (if applicable), the bond counsel opinion, the Fiscal Agent's receipt and the Fiscal Agent's certification as to the application of funds shall be furnished to the Bond Insurer no later than ten (10) business days subsequent to the defeasance.

Section 9.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the

Fiscal Agent in trust for the payment and discharge of the interest on or principal of or redemption premiums, if any, on any of the Bonds which remains unclaimed for five (5) years after the date when such interest or principal or redemption premiums, if any, as the case may be, shall have become due and payable, if such money was held by the Fiscal Agent at such date, or for five (5) years after the date of deposit of such money if deposited with the Fiscal Agent after the date when the interest on or principal of or redemption premiums, if any, on any of the Bonds became due and payable, shall, at the Written Request of the District, be repaid by the Fiscal Agent to the District as its absolute property and free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Holders shall look only to the District for the payment of the interest on or principal or redemption premiums, if any, as the case may be, on such Bonds; provided, that before being required to make any such repayment to the District, the Fiscal Agent shall, at the expense of the District, cause to be mailed in accordance with Section 10.09 to all Holders of Outstanding Bonds a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability of District Limited to Net Revenues. Notwithstanding anything contained herein, the District shall not be required to advance any money derived from any source of income other than the Net Revenues for the payment of the interest on or the principal of or the redemption premiums, if any, on the Bonds or for the observance or performance of any agreements, conditions, covenants or terms contained herein required to be observed or performed by it. The District may, however, advance funds for any such purpose, so long as such funds are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring an indebtedness.

The Bonds are sewer revenue bonds and are payable, as to interest thereon, principal thereof and redemption premiums, if any, thereon, exclusively from the Net Revenues, and the District is not obligated to pay them except from the Net Revenues. All the Bonds are equally secured by a pledge of and lien on the Net Revenues, and the Net Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds. The general fund of the District is not liable, and the full faith and credit or taxing power of the District is not pledged, for the payment of the interest on or

principal of or redemption premiums, if any, on the Bonds, and the Holders shall never have the right to compel the forfeiture of any property of the District. The interest on and principal of the Bonds and redemption premiums, if any, on the Bonds shall not be a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or upon any of its income, receipts or revenues except the Net Revenues pledged to the payment thereof as provided herein. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Section 10.02. Benefits of the Resolution Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Fiscal Agent and the Holders any right, remedy or claim under or by reason hereof. All agreements, conditions, covenants or terms contained herein required to be observed or performed by the District or any director, officer or employee thereof shall be for the sole and exclusive benefit of the Fiscal Agent and the Holders.

Section 10.03. Successor is Deemed Included in All References to Predecessor. Whenever either the District or any director, officer or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the management, administration and control of the affairs of

the District and of the Enterprise that are presently vested in the District or such director, officer or employee thereof, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by the District or any director, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Waiver of Personal Liability. No director, officer or employee of the District nor any persons executing the Bonds shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds; provided, that nothing contained herein shall relieve any director, officer or employee of the District or any persons executing the Bonds from the performance of any official duty provided herein or in the Law or in any other applicable law.

Section 10.05. Acquisition of Bonds by District. All Bonds acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Fiscal Agent for cancellation by it.

Section 10.06. Destruction of Cancelled Bonds. Whenever provision is made herein for the return to the District of any Bonds which have been cancelled pursuant to the provisions hereof, the District may, by a Written Request of the District, direct the Fiscal Agent to destroy such Bonds

as allowed by law and furnish to the District a certificate of such destruction.

Section 10.07. Content of Certificates and Reports. Every certificate or report with respect to compliance with an agreement, condition, covenant or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such agreement, condition, covenant or term and the definitions contained herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or report are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any such certificate made or given by an officer of the District may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have

known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the District, upon the certificate or opinion of or representations by an officer or officers of the District unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 10.08. Execution of Documents by Holders.

Any request, declaration or other instrument which may be required or permitted to be executed hereunder by Holders may be in one or more instruments of similar tenor, and shall be executed by Holders in person or by their attorneys appointed in writing. The fact and date of the execution by any Holder or his attorney of any such request, declaration or other instrument, or of any such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The



amount of Bonds held by any Holder executing any such request, declaration or other instrument or writing as a Holder, and the numbers thereof, and the date of his holding such Bonds, shall be proved by the registration books for such Bonds.

Any request, declaration or other instrument in writing of the Holder of any Bond shall bind all future Holders of such Bond in respect of anything done or suffered to be done by the District in good faith and in accordance therewith.

Section 10.09. Notice by Mail. Any notice required to be given hereunder by mail to the Holders of any Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the registration books for such Bonds maintained by the Fiscal Agent not less than thirty (30) days nor more than sixty (60) days following the action or prior to the event concerning which notice thereof is required to be given to such Holders; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and failure to receive any such notice shall not affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Section 10.10. Deposit and Investment of Money in Funds and Accounts. All money held by the District or the Fiscal Agent in any of the funds or accounts established hereunder shall be held in time or demand deposits in any bank

or trust company (including the Fiscal Agent) authorized to accept deposits of public funds, and shall be secured at all times by such obligations as are required by law and (except as the District may waive security for such portion of any deposit that is insured pursuant to any law of the United States of America) to the fullest extent required by law, except such money as at the time is invested in accordance with this section. Money in the Interest Account or in the Principal Account may, and upon the Written Request of the District shall, be invested by the Fiscal Agent, and money in the Acquisition and Improvement Fund and in the Revenue Fund and in the Maintenance and Operation Account may be invested by the District in Federal Securities maturing prior to the date on which such money is estimated to be required to be paid out hereunder. Money in the Bond Reserve Account may, and upon the Written Request of the District shall, be invested by the Fiscal Agent in Federal Securities, at least one-half (1/2) of which shall mature not more than one (1) year and the balance of which shall mature not more than five (5) years from the date of purchase by the Fiscal Agent, and money in the Surplus Account may be invested by the District in any lawful investment of the District. Interest received on all money so invested shall be deposited in the Revenue Fund. In the making or disposing of any such investment the Fiscal Agent may act as principal or agent, and shall not be

liable for any loss incurred by reason of the sale or disposition of any such investment.

Section 10.11. Funds and Accounts. Any fund or account required herein to be established and maintained by the District or the Fiscal Agent may be established and maintained in the accounting records of the District or the Fiscal Agent either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; provided, that all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practices and with due regard for the protection of the security of the Bonds and the rights of the Holders.

Section 10.12. Special Provisions Concerning the Bond Insurer. As long as the financial guaranty bond issued by the Bond Insurer (the "Financial Guaranty Bond") shall be in full force and effect, the District and the Fiscal Agent agree to comply with the following provisions:

1. The gross amount to be deposited in the Revenue Fund by the District to pay principal and/or interest on the Bonds on each scheduled interest or interest and principal payment date (an "Interest Payment Date") shall be deposited by the District at least five (5) business days prior to each such stated Interest Payment Date.

2. If, at the close of business on the fifth business day prior to an Interest Payment Date, the Fiscal Agent determines that, after having exhausted the Bond Reserve Account, there will be insufficient funds in the funds and accounts available to pay the principal of or interest on the Bonds on such Interest Payment Date, the Fiscal Agent shall so notify both United States Fidelity and Guaranty Company ("USE&G") via telephonic notice to Steven J. Trecker, USE&G Company, 100 Light Street, Baltimore, Maryland 21202, telephone (301) 625-5616 and the Bond Insurer via telephonic notice to the Bond Insurer's Claims Officer at (415) 995-8000, confirmed by facsimile transmission of a completed "Notice of Nonpayment" attached in form as Exhibit A to the Financial Guaranty Bond to (415) 995-8008. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency will be applicable and whether payment due on such Bonds will be deficient as to either principal or interest, or both, all in accordance with said Exhibit A.

3. Simultaneously with the giving of notice to the Bond Insurer and USE&G as provided in (2) above, the Fiscal Agent shall make available to the Bond Insurer and USE&G, their agents or assigns the bond registration books of the District maintained by the Fiscal Agent, and all records relating to the funds and accounts established under the Resolution.

4. By the close of business on the third business day prior to an Interest Payment Date, the Fiscal Agent shall provide the Bond Insurer and USF&G with a list of the Holders of Bonds entitled to receive principal or interest payments from the Bond Insurer and USF&G under the terms of the Financial Guaranty Bond and the full or partial amounts of interest and principal due each such Holder.

5. By the close of business on the second business day prior to an Interest Payment Date, USF&G shall make arrangements with its Disbursing Agent (as such term is defined in the Financial Guaranty Bond) to disburse to the Fiscal Agent on the business day next preceding an Interest Payment Date funds to be held by the Fiscal Agent in a segregated trust account (the "Segregated Account") in an amount sufficient to enable the Fiscal Agent (1) to mail checks or drafts on the Interest Payment Date to the Holders of Bonds entitled to receive full or partial interest payments pursuant to the terms of the Financial Guaranty Bond, and (2) to pay principal upon Bonds surrendered to the Fiscal Agent by the Holders of Bonds entitled to receive full or partial principal payments from USF&G.

6. The Fiscal Agent, at the time it provides notice to the Bond Insurer and USF&G pursuant to (2) above, shall notify the Holders of Bonds subject to the benefit of the Financial Guaranty Bond (i) as to the fact of such entitlement, (ii) that USF&G's Disbursing Agent will remit to

the Fiscal Agent all or a portion of the interest payments coming due on the next scheduled Interest Payment Date, (iii) that if entitled to receive full payment of principal pursuant to the terms of the Financial Guaranty Bond, such Holders must tender their Bonds for payment thereof to the Fiscal Agent along with the form of transfer of title thereto attached to the Financial Guaranty Bond as Schedule B, and (iv) that if entitled to receive partial payment of principal pursuant to the terms of the Financial Guaranty Bond, such Holders must tender their Bonds for payment thereof to the Fiscal Agent along with the form of transfer of title thereto attached to the Financial Guaranty Bond as Schedule B. The Fiscal Agent shall note on such Bonds that all or that a portion of the principal paid by the Fiscal Agent has been paid pursuant to the terms of the Financial Guaranty Bond from assets held in the Segregated Account. Upon the tendering of such Bonds to the Fiscal Agent, the Fiscal Agent shall pay the Holders thereof the unpaid portion of principal.

7. USF&G, if it causes the Disbursing Agent to make payment of all or a portion of principal or of interest on Bonds pursuant to the Financial Guaranty Bond, shall become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Bond, and to evidence such subrogation (i) in the case of subrogation as to payments under the Financial Guaranty Bond representing interest, the Fiscal Agent shall note USF&G's rights as

subrogee on the registration books of the District maintained by the Fiscal Agent, and (ii) in the case of subrogation as to payments under the Financial Guaranty Bond representing principal, the Fiscal Agent shall note USF&G's rights as subrogee on the registration books of the District maintained by the Fiscal Agent upon surrender of the Bonds by the Holders thereof; and in any such case all covenants, agreements and other obligations of the District to the Holders shall continue to exist and USF&G shall be subrogated to the rights of such Holders.

Section 10.13. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All reference to "Articles," "Sections" and other subdivisions or clauses hereof are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Resolution as a whole and not any particular article, section, subdivision or clause hereof.

Section 10.14. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of portions thereof contained herein required to be observed or

performed by the District or the Fiscal Agent should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; but the Holders shall retain all the benefit, protection and security accorded to them under the Law or any other applicable provisions of law. The Board of Directors hereby declares that it would have adopted the Resolution and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.15. Repeal of Inconsistent Ordinances or Resolutions. Any ordinance or resolution of the District, and any part of any ordinance or resolution of the District, inconsistent herewith is hereby repealed to the extent of such inconsistency.

Section 10.16. Effective Date of the Resolution.  
The Resolution shall be forthwith entered upon the minutes of



the Board of Directors and shall take effect immediately upon adoption.

PASSED AND ADOPTED on October 26, 1988, as amended on November 16, 1988.


PASSED AND ADOPTED this 26th day of October, 1988,

by the following vote:

AYES: Directors Fisher, Sutherland and White


NOES: None

ABSENT: Directors Grantz and Tyler

  
\_\_\_\_\_  
President of the Board of  
Directors of Vandenberg Village  
Community Service District

[SEAL]

Attest:

  
\_\_\_\_\_  
Secretary of the Board of  
Directors of Vandenberg Village  
Community Service District

SECRETARY'S CERTIFICATE

I, Faye Edman, Secretary of the Board of Directors of Vandenberg Village Community Services District, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a meeting of the Board of Directors of Vandenberg Village Community Services District duly and regularly held in Lompoc, California, on October 26, 1988, of which meeting all of the members of said Board of Directors had due notice and at which a majority thereof was present.

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, rescinded or revoked in any manner since the date of its adoption, and it is now in full force and effect.

I further certify that an agenda of said meeting was posted at least seventy-two (72) hours before said meeting at a location fully accessible to members of the public in Lompoc, California, and a brief general description of said resolution appeared on said agenda.