TRUST AGREEMENT

by and among

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

and the

IMPERIAL IRRIGATION DISTRICT
FINANCING CORPORATION

and the

IMPERIAL IRRIGATION DISTRICT

RELATING TO THE
IMPERIAL IRRIGATION DISTRICT
2010 SUBORDINATE REVENUE CERTIFICATES OF PARTICIPATION
(2010 WATER SYSTEM PROJECT)

Executed and Entered Into as of ________ 1, 2010
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EXHIBIT A  2010 INSTALLMENT PAYMENT SCHEDULE                      A-1
TRUST AGREEMENT

This Trust Agreement (the “Trust Agreement”), executed and entered into as of _______ 1, 2010, by and among The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing pursuant to the laws of the United States of America, as Trustee (the “Trustee”), the Imperial Irrigation District Financing Corporation, a nonprofit public benefit corporation duly organized and existing pursuant to the laws of the State of California (the “Corporation”), and the Imperial Irrigation District, an irrigation district duly organized and existing pursuant to the laws of the State of California (the “District”);

WITNESSETH:

WHEREAS, the District and the Corporation have executed and entered into a 2010 Installment Purchase Contract (the “2010 Installment Purchase Contract”) as of _______ 1, 2010, whereby the Corporation will assist the District by acquiring those certain improvements for the water system of the District as provided therein (the “2010 Water System Project”) and by selling the 2010 Water System Project to the District as provided therein; and

WHEREAS, pursuant to the 2010 Installment Purchase Contract, the District has agreed to make scheduled installment payments (the “2010 Installment Payments”) to the Corporation for the purchase of the 2010 Water System Project from the Corporation as provided therein; and

WHEREAS, the Corporation has assigned to the Trustee without recourse certain of its rights under the 2010 Installment Purchase Contract (including its rights to receive the 2010 Installment Payments payable by the District pursuant to the 2010 Installment Purchase Contract) pursuant to an Assignment Agreement executed and entered into as of _______ 1, 2010, by and between the Corporation and the Trustee; and

WHEREAS, in consideration of such assignment and the execution and entering into of the Trust Agreement as of _______ 1, 2010, the Trustee has agreed to execute and deliver subordinate revenue certificates of participation (the “Certificates”) in an aggregate principal amount equal to the aggregate principal installments of the 2010 Installment Payments, each evidencing and representing a proportionate, undivided interest in the 2010 Installment Payments; and

WHEREAS, the Corporation and the District hereby certify that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Trust Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE 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 any amendment hereof or supplement hereto and of the
Certificates and of any certification, opinion, 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:

**Assignment Agreement**

“Assignment Agreement” means the Assignment Agreement executed and entered into as of _______ 1, 2010, by and between the Corporation and the Trustee.

**Board of Directors**

“Board of Directors” means, as the case may be, either the Board of Directors of the Corporation or the Board of Directors of the District.

**Business Day**

“Business Day” means any day other than a Saturday, a Sunday or a legal holiday on which the Trustee is open for corporate trust business at its Principal Corporate Trust Office and on which the Federal Reserve System is open for business.

**Certificate Insurance Policy**

“Certificate Insurance Policy” means the financial guaranty insurance policy issued by the Certificate Insurer and delivered by the District to the Trustee on the date of the original execution and delivery of the Certificates insuring the payment when due of the interest and principal evidenced and represented by the Certificates as provided therein.

**Certificate Insurer**

“Certificate Insurer” means _________________, as the issuer of the Certificate Insurance Policy.

**Certificate Payment Date**

“Certificate Payment Date” means, with respect to any Certificate, the July 1 that is the Certificate Payment Date designated therein.

**Certificate Year**

“Certificate Year” means the period beginning on the date of initial execution and delivery of the Certificates and ending on July 1, and each successive one-year or shorter period thereafter, beginning July 2 until there are no Outstanding Certificates.

**Certificates**

“Certificates” means the Imperial Irrigation District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project) authorized hereby and at any time Outstanding hereunder that are executed and delivered by the Trustee pursuant to Article II.
Certificates of Participation Purchase Contract

“Certificates of Participation Purchase Contract” means the Certificates of Participation Purchase Contract by and between the Purchaser and the District relating to the purchase of the Certificates.

Certification

“Certification,” when used with respect to the Corporation, means an instrument in writing signed on behalf of the Corporation by the President of the Corporation or by any other officer of the Corporation duly authorized by the Board of Directors for the purpose of signing documents on its behalf hereunder, and by the Secretary of the Corporation, with the seal of the Corporation affixed thereto, and when used with respect to the District, means an instrument in writing signed on behalf of the District by the General Manager of the District or by the Chief Financial Officer of the District, or by any other officer of the District duly authorized by the Board of Directors for the purpose of signing documents on its behalf hereunder, and by the Secretary of the Board of Directors, with the seal of the District affixed thereto; and each Certification shall contain the matters specified in Section 11.06.

Code


Corporation

“Corporation” means the Imperial Irrigation District Financing Corporation, a nonprofit public benefit corporation duly organized and existing pursuant to the laws of the State of California.

Costs of Issuance

“Costs of Issuance” means all costs and expenses payable by or reimbursable to the Corporation or the District that are related to the authorization, execution and delivery of the 2010 Installment Purchase Contract, the Assignment Agreement and the Trust Agreement and the original execution and delivery of the Certificates, including, but not limited to, all costs of preparation, printing and reproduction of documents, rating agency fees, costs of the [Certificate Insurance Policy], initial fees and charges of the Trustee (including fees and expenses of its counsel), fees and charges of independent consulting engineers, independent lawyers, independent auditors and other independent consultants and professionals, together with all expenses relating to the original execution and delivery of the Certificates, and any other cost or expense in connection with the original execution and delivery of the Certificates to the Purchaser pursuant to the Certificates of Participation Purchase Contract.

Costs of Issuance Fund

“Costs of Issuance Fund” means the Imperial Irrigation District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project) Costs of Issuance Fund established pursuant to Section 3.02(c).

District

“District” means the Imperial Irrigation District, an irrigation district duly organized and existing pursuant to the laws of the State of California.
Event of Default

“Event of Default” means an event defined as such in Sections 6.01(a), (b), (c) or (d) of the 2010 Installment Purchase Contract.

Federal Securities

“Federal Securities” means any of the obligations described in Paragraph A of the definition of “Permitted Investments” contained herein to the extent that such obligations provide for the timely payment of interest and principal and cannot be callable or prepayable prior to the maturity or the earlier prepayment of the Certificates (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

Fitch

“Fitch” means Fitch Ratings, a corporation duly organized and existing pursuant to the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the District and acceptable to the Certificate Insurer.

Interest Account

“Interest Account” means the account within the 2010 Installment Payment Fund referred to by that name established pursuant to Section 5.02.

Interest Payment Date

“Interest Payment Date” means a date on which interest components of the 2010 Installment Payments evidenced and represented by the Certificates become due and payable, being January 1 and July 1 of each year to which reference is made (commencing on __________).

Loan Guarantee

“Loan Guarantee” means the Loan Guarantee dated __________, issued by the California Infrastructure and Economic Development Bank.

Moody’s

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing pursuant to the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the District and acceptable to the Certificate Insurer.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District and acceptable to the Certificate Insurer.
Outstanding

“Outstanding,” when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 9.02) all Certificates executed and delivered by the Trustee pursuant hereto except --

(1) Certificates cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates paid or deemed to have been paid pursuant to Section 10.01; and

(3) Certificates in lieu of and in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.08.

Owner

“Owner” means the registered owner of any Outstanding Certificate, as shown in the registration books maintained by the Trustee pursuant to Section 2.07.

Permitted Investments

“Permitted Investments” means any of the following obligations if and to the extent that, at the time of making such investment, they are authorized to be acquired by the District pursuant to applicable law:

A. The following obligations constitute “Permitted Investments” for all purposes hereunder, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S., including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

B. The following obligations constitute “Permitted Investments” for all purposes hereunder, other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
• Export-Import Bank
• Rural Economic Community Development Administration
• U.S. Maritime Administration
• Small Business Administration
• U.S. Department of Housing & Urban Development (PHAs)
• Federal Housing Administration
• Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

• Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
• Obligations of the Resolution Funding Corporation (REFCORP)
• Senior debt obligations of the Federal Home Loan Bank System
• Senior debt obligations of other Government Sponsored Agencies approved by the Certificate Insurer;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of at least “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing no more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P, and maturing not more than two hundred seventy (270) calendar days after the date of purchase;

(5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(6) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s and S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in subsection (2) of Paragraph A of the definition of “Permitted Investments,” which escrow may be applied only to
the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;

(8) Investment agreements approved in writing by the Certificate Insurer (supported by appropriate opinions of counsel); and

(9) [Other forms of investments (including repurchase agreements) approved in writing by the Certificate Insurer].

C. The value of the above investments shall be determined as follows:

(1) For the purpose of determining the amount in any fund, all “Permitted Investments” credited to such fund shall be valued at fair market value, which shall be determined by the Trustee based on accepted industry standards and from accepted industry providers, which accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch or Smith Barney;

(2) For certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest; and

(3) For any investment not specified above: the value thereof established by prior agreement among the District, the Trustee [and the Certificate Insurer].

Prepayment Account

“Prepayment Account” means the account within the 2010 Installment Payment Fund referred to by that name established pursuant to Section 5.02.

Principal Account

“Principal Account” means the account within the 2010 Installment Payment Fund referred to by that name established pursuant to Section 5.02.

Principal Corporate Trust Office

“Principal Corporate Trust Office” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office of the Trustee as may be designated in writing to the Corporation and the District from time to time by the Trustee.
Principal Payment Date

“Principal Payment Date” means a date on which principal components of the 2010 Installment Payments evidenced and represented by the Certificates become due and payable, being July 1 of each year to which reference is made (commencing on July 1, 20__).

Project Fund

“Project Fund” means the Imperial Irrigation District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project) Project Fund established pursuant to Section 3.02(b).

Purchaser

“Purchaser” means ____________, as purchaser of the Certificates under the Certificates of Participation Purchase Contract upon their original execution and delivery.

QSA

“QSA” means the Qualification Settlement Agreement, dated as of October 10, 2003, by and among the District, The Metropolitan Water District of Southern California and Coachella Valley Water District.

Rating

“Rating” means any currently effective rating on the Certificates issued by either Fitch, Moody’s or S&P.

Record Date

“Record Date” means, with respect to the payment of interest evidenced and represented by the Certificates on any Interest Payment Date or the payment of principal evidenced and represented by the Certificates on any Certificate Payment Date or prior payment date, the fifteenth (15th) day of the month next preceding such Interest Payment Date or Certificate Payment Date or prior payment date, as the case may be, whether or not such day is a Business Day.

Request

“Request,” when used with respect to the Corporation, means an instrument in writing signed on behalf of the Corporation by the President of the Corporation or by any other officer of the Corporation duly authorized by the Board of Directors for the purpose of signing documents on its behalf hereunder, and when used with respect to the District, means an instrument in writing signed on behalf of the District by the General Manager of the District or by the Chief Financial Officer of the District, or by any other officer of the District duly authorized by the Board of Directors for the purpose of signing documents on its behalf hereunder.

Reserve Fund

“Reserve Fund” means the Imperial Irrigation District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project) Reserve Fund established pursuant to Section 5.03.
Reserve Fund Requirement

“Reserve Fund Requirement” means, as of any date of determination, the least of (i) ten percent (10%) of the proceeds (within the meaning of Section 148 of the Code) of the Certificates; (ii) 125% of average 2010 Installment Payments for that and all subsequent Certificate Years; or (iii) maximum aggregate 2010 Installment Payments for that or any subsequent Certificate Year.

S&P

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing pursuant to the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the District and acceptable to the Certificate Insurer.

Supplemental Trust Agreement

“Supplemental Trust Agreement” means an agreement by and among the parties hereto amending or supplementing the Trust Agreement entered into pursuant to the conditions and terms hereof.

Treasurer

“Treasurer” means the Treasurer of the District.

Trust Agreement

“Trust Agreement” means this Trust Agreement executed and entered into as of _______ 1, 2010, by and among the Trustee, the Corporation and the District, as originally executed and entered into and as it may from time to time be amended or supplemented by any Supplemental Trust Agreement.

Trustee

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing pursuant to the laws of the United States of America, as original Trustee hereunder, at its Principal Corporate Trust Office, or any successor bank or trust company or national banking association which may at any time be substituted in place of the original or any successor Trustee pursuant to Section 8.02 as Trustee hereunder, at its Principal Corporate Trust Office.

Water System

“Water System” means all facilities for obtaining, storing and delivering water and related facilities for the disposition of drainage water now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water System, whether located within or without the District, including the 2010 Water System Project, together with all improvements to such facilities, properties, structures or works or any part thereof hereafter acquired or constructed.
2010 Installment Payment Fund

“2010 Installment Payment Fund” means the Imperial Irrigation District 2010 Installment Purchase Contract Installment Payment Fund established pursuant to Section 5.01.

2010 Installment Payments

“2010 Installment Payments” means the installment payments of interest and principal scheduled to be paid by the District pursuant to the 2010 Installment Purchase Contract.

2010 Installment Purchase Contract

“2010 Installment Purchase Contract” means the 2010 Installment Purchase Contract (2010 Water System Project) executed and entered into as of _______ 1, 2010, by and between the District and the Corporation, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith.

2010 Water System Project

“2010 Water System Project” means the 2010 Water System Project as defined in the 2010 Installment Purchase Contract.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Certificates by the Owners from time to time, the Trust Agreement shall be deemed to be and shall constitute a contract by and among the Trustee, the Corporation, the District and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates, 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 Trustee, the Corporation or the District shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II
CONDITIONS AND TERMS OF CERTIFICATES

SECTION 2.01. Preparation of Certificates. The Trustee is hereby authorized and directed to execute and register the Certificates in the aggregate principal amount of ________________ dollars ($____________), evidencing and representing the aggregate principal components of the 2010 Installment Payments and the interest accruing thereon and each evidencing and representing a proportionate, undivided interest in the 2010 Installment Payments and the interest accruing thereon.

SECTION 2.02. Denominations, Medium, Method and Place of Payment and Dating of Certificates. The Certificates shall be prepared in fully registered form in denominations of five thousand dollars ($5,000) or any integral multiple thereof, except that no Certificate shall have more than one Certificate Payment Date. The interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. The interest evidenced and represented by the Certificates shall be payable on their respective Interest Payment Dates by check mailed by first class mail by the Trustee to the respective Owners thereof as shown in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 at the
close of business on the Record Date for each such Interest Payment Date (except that in the case of an Owner of one million dollars ($1,000,000) or more in aggregate principal amount of Outstanding Certificates, such payment shall, at such Owner’s option, be made by wire transfer of immediately available funds to a state or national bank in the United States of America that is a member of the Federal Reserve System in accordance with written instructions provided by such Owner to the Trustee prior to such Record Date), and the principal and prepayment premiums, if any, evidenced and represented by the Certificates shall be payable on their respective Certificate Payment Dates or on prepayment prior thereto upon surrender thereof to the Trustee by the respective Owners thereof on the Record Date for each such Certificate Payment Date or prior payment date at the Principal Corporate Trust Office of the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by any Certificate shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by such Certificate to the extent of the sum or sums so paid. All Certificates paid pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

The Certificates shall be dated, and shall evidence and represent interest from _______, 2010, and if interest has not been paid when due with respect to any Outstanding Certificate, interest shall be payable from the Interest Payment Date to which interest has been paid with respect to such Outstanding Certificate. Interest evidenced and represented by the Certificates shall be payable from the Interest Payment Date next preceding the date of execution of the Certificates, unless such date of execution is after the Record Date for such Interest Payment Date and on or prior to such Interest Payment Date, in which case interest shall be payable from such Interest Payment Date, or unless the date of execution is on or prior to the Record Date for the first Interest Payment Date, in which case interest shall be payable from their date.

In the event that any date for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by any Certificates falls on a day which is not a Business Day, the interest or principal or prepayment premium, if any, evidenced and represented by such Certificates which are due on such date shall be paid by the Trustee on the next succeeding Business Day.

SECTION 2.03. Payment Dates of Certificates. The Certificates shall have Certificate Payment Dates and shall evidence and represent principal components of the 2010 Installment Payments in the principal amounts, with interest accruing thereon (computed on the basis of a 360-day year of twelve (12) 30-day calendar months) at the rates shown below, as follows:

<table>
<thead>
<tr>
<th>Certificate Payment Date (July 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
</table>

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The interest evidenced and represented by theCertificates shall become due on their respective Interest Payment Dates, beginning on the Interest Payment Date following their date and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the 2010 Installment Payments constituting the interest components becoming due on the Interest Payment Dates in each year.

The principal and prepayment premiums, if any, evidenced and represented by the Certificates shall become due on their respective Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the 2010 Installment Payments constituting the principal and prepayment premium, if any, components becoming due on the Certificate Payment Dates or prior payment dates in each year.

The Certificates with a Certificate Payment Date of July 1, 20___, evidence and represent the principal components of the 2010 Installment Payments becoming due on the Principal Payment Dates occurring on July 1, 20___, through July 1, 20___, both dates inclusive, and the Certificates with a Certificate Payment Date of July 1, 20___, evidence and represent the principal components of the 2010 Installment Payments becoming due on the Principal Payment Dates occurring on July 1, 20___, through July 1, 20___, both dates inclusive, and the Certificates with a Certificate Payment Date of July 1, 20___, evidence and represent the principal components of the 2010 Installment Payments becoming due on the Principal Payment Dates occurring on July 1, 20___, through July 1, 20___, both dates inclusive, and portions of such Certificates are subject to mandatory sinking fund prepayment pursuant to Section 4.01(a).

SECTION 2.04. Form of Certificates. The Certificates (and the assignment to appear thereon) shall be in substantially the form set forth in Exhibit A attached hereto and made a part hereof, with appropriate or necessary insertions, omissions and variations as permitted or required thereby.

SECTION 2.05. Execution of Certificates. The Certificates shall be executed by the Trustee by the manual signature of an authorized signatory of the Trustee.

SECTION 2.06. Transfer and Exchange of Certificates. All the Certificates shall be transferable or exchangeable by the Owners thereof (in person or by attorney duly authorized in writing) in the books required to be kept by the Trustee at the Principal Corporate Trust Office of the Trustee pursuant to the provisions of Section 2.07 upon surrender of such Certificates accompanied by delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Whenever any Certificate or Certificates shall be surrendered for transfer or exchange, the Trustee shall execute and deliver a new Certificate or Certificates of authorized denominations of the same Certificate Payment Date representing the same aggregate principal amount, except that the Trustee shall require the payment by any Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. All Certificates surrendered pursuant to the provisions of this section shall be cancelled and destroyed by the Trustee.

The Trustee shall not be required (i) to transfer or exchange any Certificate during the fifteen (15) day period prior to the selection of any Certificates for prepayment in whole or in part pursuant to Article IV, or (ii) to transfer or exchange any Certificate selected for prepayment in whole or in part from and after the date that such Certificate has been selected for prepayment in whole or in part pursuant to Article IV.
SECTION 2.07. Certificate Registration Books. The Trustee will keep at its Principal Corporate Trust Office sufficient books for the registration of the ownership, transfer or exchange of the Certificates, which books shall be available for inspection by the Corporation or the District under reasonable conditions and upon reasonable prior notice during regular business hours of the Trustee. Upon presentation to the Trustee by any Owner of Certificates for such purpose, the Trustee shall, pursuant to such reasonable regulations as it may prescribe, register the ownership, transfer or exchange of such Certificates in such books as hereinabove provided, and the ownership of any Certificates may be proved by the books required to be kept by the Trustee pursuant to the provisions hereof.

SECTION 2.08. Certificates Mutilated, Destroyed, Lost or Stolen. If any Certificate shall become mutilated in respect of the body of such Certificate or shall be believed to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Certificate to the Trustee at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss, and upon the receipt of indemnity satisfactory to the Trustee, and upon payment of all expenses incurred by the District and the Trustee in the premises, the Trustee shall execute and deliver at the Principal Corporate Trust Office of the Trustee a replacement Certificate of like tenor and Certificate Payment Date in lieu of and in substitution for the destroyed, lost or stolen Certificate, provided, that the Trustee may require payment of a sum not exceeding the actual cost of preparing each replacement Certificate executed and delivered by it pursuant to this section and of the expenses which may be incurred by it pursuant to this section; and provided further, that rather than executing and delivering a replacement Certificate for a mutilated, destroyed, lost or stolen Certificate which has been called for prepayment or the Certificate Payment Date of which has occurred, the Trustee may make payment of the principal and prepayment premium, if any, evidenced and represented by such mutilated, destroyed, lost or stolen Certificate directly to the Owner thereof pursuant to such regulations as the Trustee may prescribe, including the provision of indemnity satisfactory to the Trustee. Any replacement Certificate executed and delivered pursuant to the provisions of this section in lieu of and in substitution for any mutilated, destroyed, lost or stolen Certificate shall be equally and proportionately entitled to the benefit, protection and security hereof with all other Certificates executed and delivered pursuant hereto; and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered pursuant hereto or for the purpose of determining any percentage of Certificates Outstanding pursuant hereto, but both the original and the replacement Certificate shall be treated as one and the same.

SECTION 2.09. Use of Depository for Certificates.

(a) Notwithstanding any provision contained herein to the contrary, The Depository Trust Company, New York, New York, is hereby appointed depository for the Certificates, and the Certificates shall be registered on original delivery in the name of “Cede & Co.,” as nominee of The Depository Trust Company, and shall be evidenced by one Certificate becoming payable on each of the Certificate Payment Dates set forth in Section 2.03, each of which Certificates shall be in the principal amount corresponding to the total principal amount of the Certificates becoming payable on such Certificate Payment Date, and each of which shall be numbered in consecutive order in such manner as the Trustee determines. Registered ownership of the Certificates, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of The Depository Trust Company or its nominee, or to any substitute depository designated pursuant to clause (ii) of this subsection (a “substitute depository”); provided, that any successor of The Depository Trust Company or any substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;
To any substitute depository designated by the District upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (2) a determination by the District that The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it;

To any person as provided below upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository upon a determination by the District that no substitute depository can be obtained, or (2) a determination by the District that it is in the best interests of the District to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository hereunder; or

To the Certificate Insurer, but only to the extent the Certificate Insurer has been called upon to pay any of the interest or principal evidenced and represented by the Certificates.

In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) of this section, upon receipt of all Outstanding Certificates by the Trustee, together with a Request of the District, a new Certificate shall be executed and delivered for each maturity of the Certificates then Outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) of this section, upon receipt of all Outstanding Certificates by the Trustee, together with a Request of the District, new Certificates shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Request of the District, subject to the limitations of Section 2.02; provided, that the Trustee shall not be required to deliver such new Certificates within a period less than sixty (60) days from the date of receipt of such Request of the District; and provided further, that subsequent to any transfer pursuant to clause (iii) of subsection (a) of this section the Certificates shall be transferred pursuant to Section 2.06.

In the case of partial prepayment or an advance refunding of the Certificates evidencing all or a portion of the principal components of the 2010 Installment Payments becoming payable in a particular year, The Depository Trust Company shall make an appropriate notation on the Certificates indicating the date and amounts of such reduction in principal; provided, that neither the District nor the Trustee shall be liable for any failure or error of The Depository Trust Company in making such notation, and the records of the Trustee as to the Outstanding Certificates shall be controlling.

The District and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the District or the Trustee; and the District and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Certificates, and neither the District nor the Trustee shall have any responsibility or obligations, legal or otherwise, to the beneficial owners of the Certificates or to any other party, including The Depository Trust Company or its successor (or any substitute depository or its successor), except as any such party may be the Owner of a Certificate.

So long as the Outstanding Certificates are registered in the name of Cede & Co. or its registered assigns, the District and the Trustee shall cooperate with Cede & Co. or its registered assigns as the Owner of the Certificates in effecting payment of the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.
ARTICLE III

PROCEEDS OF CERTIFICATES

SECTION 3.01. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver the Certificates to the Purchaser upon receipt of a Request of the District and upon receipt from the Purchaser of the proceeds of sale thereof.

SECTION 3.02. Deposit of Proceeds of Certificates. Upon the receipt of the proceeds of sale of the Certificates from the Purchaser [(net of the cost of the premium for the Certificate Insurance Policy, which shall be paid directly to the Certificate Insurer by the Purchaser)], when the same shall have been duly executed and delivered by the Trustee to the Purchaser, the Trustee shall, upon receipt of such the Request of the District, set aside and deposit such net proceeds of sale of the Certificate in the following accounts or funds (or in a temporary account or fund in its books and records established to facilitate any such transfer) (or transfer such funds) as follows:

(a) Reserve Fund. The Trustee shall deposit in the Reserve Fund the amount of the Reserve Fund Requirement, being $__________;

(b) Project Fund. The Trustee shall transfer to the District for deposit in the “Imperial Irrigation District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project) Project Fund,” which fund the District hereby agrees to establish and maintain with the Treasurer, the amount of $____________.

The cost of the 2010 Water System Project shall be paid from the amounts on deposit in the Project Fund. To the extent that other moneys are not available therefor, amounts in the Project Fund shall be withdrawn and deposited in the 2010 Installment Payment Fund and applied by the Trustee to the payment of the principal and interest with respect to the Certificates. The District shall comply with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the California Labor Code, including the payment of prevailing wages.

Upon completion of the 2010 Water System Project, the District shall transfer any moneys held in the Project Fund and not required for the payment of any remaining part of the cost of the 2010 Water System Project to the Reserve Fund to the extent the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, and, thereafter the District shall, following the receipt of an Opinion of Counsel that such use of funds will not adversely affect the exclusion from gross income of interest on any of the Certificates, apply such moneys (i) to the 2010 Installment Payment Fund for (1) the payment of interest with respect to the Certificates, (2) the redemption of principal represented by the Certificates, (3) the redemption of principal represented by the Certificates no later than the first Interest Payment Date following the date of said transfer where redemption may be made at the option of the District pursuant to Section 4.01(b) hereof, or (ii) the purchase of Certificates on the open market, to the extent such Certificates are available for purchase at a purchase price no greater than one hundred percent (100%) of the principal thereof plus accrued interest to the date of such purchase, or (iii) any combination of the foregoing (i) and (ii).

(c) Costs of Issuance Fund. The Trustee shall transfer to the District for deposit in the “Imperial Irrigation District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project) Costs of Issuance Fund,” which fund the District hereby agrees to establish and maintain with the Treasurer until __________, the remainder of the net proceeds of sale of the Certificates, being $___________. All money in the Costs of Issuance Fund shall be used and withdrawn by the District to pay the Costs of Issuance (or to reimburse the District for such costs otherwise paid by it). On __________, or upon the earlier determination by the District that all Costs of Issuance have been paid.
or provided for, any remaining balance in the Costs of Issuance Fund shall be transferred by the District to be used to pay additional costs of the acquisition of the 2010 Water System Project.

ARTICLE IV
PREPAYMENT OF CERTIFICATES

SECTION 4.01. Terms of Prepayment of Certificates.

(a) Mandatory Prepayment. The Certificates with a Certificate Payment Date of July 1, 20__, are subject to mandatory prepayment by the District prior to their Certificate Payment Date, upon notice as hereinafter provided, in part in integral multiples of five thousand dollars ($5,000) on each July 1 on or after July 1, 20__, solely from 2010 Installment Payments payable in accordance with the schedule set forth below, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without a prepayment premium, namely:

<table>
<thead>
<tr>
<th>Prepayment Date (July 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Certificate Payment Date</em></td>
<td></td>
</tr>
</tbody>
</table>

The Certificates with a Certificate Payment Date of July 1, 20__, are subject to mandatory prepayment by the District prior to their Certificate Payment Date, upon notice as hereinafter provided, in part in integral multiples of five thousand dollars ($5,000) on each July 1 on or after July 1, 20__, solely from 2010 Installment Payments payable in accordance with the schedule set forth below, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without a prepayment premium, namely:

<table>
<thead>
<tr>
<th>Prepayment Date (July 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Certificate Payment Date</em></td>
<td></td>
</tr>
</tbody>
</table>
The Certificates with a Certificate Payment Date of July 1, 20__, are subject to mandatory prepayment by the District prior to their Certificate Payment Date, upon notice as hereinafter provided, in part in integral multiples of five thousand dollars ($5,000) on each July 1 on or after July 1, 20__, solely from 2010 Installment Payments payable in accordance with the schedule set forth below, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without a prepayment premium, namely:

<table>
<thead>
<tr>
<th>Prepayment Date (July 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
</table>

*Certificate Payment Date

(b) Optional Prepayment. The Certificates with Certificate Payment Dates on and after July 1, 2021, are subject to optional prepayment by the District prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, on any date on or after July 1, 2020, as a whole or in part from such Certificate Payment Dates selected by the District and by lot within each Certificate Payment Date in integral multiples of five thousand dollars ($5,000), from any source of available funds, at the prepayment price equal to the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

SECTION 4.02. Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are to be prepaid on any one date, the District shall select the Certificate Payment Dates from which such Certificates shall be prepaid, and whenever less than all the Outstanding Certificates of any one Certificate Payment Date are to be prepaid on any one date, the Trustee (upon receipt of a Request of the District) shall select the Certificates of such Certificate Payment Date to be prepaid in whole or in part from the Outstanding Certificates of such Certificate Payment Date by lot in any manner that the Trustee deems fair, and the Trustee shall promptly notify the Corporation and the District in writing of the numbers of the Certificates so selected for prepayment in whole or in part on such date.

SECTION 4.03. Notice of Prepayment of Certificates. Notice of prepayment of any Certificates shall be given by the Trustee by mail on behalf of and at the expense of the District pursuant to Section 11.07 to the respective Owners of all Certificates designated for prepayment in whole or in part prior to their prepayment date and to all securities information services selected by the District in its sole discretion and designated to the Trustee in writing to comply with custom or the rules of any securities and exchange commission or brokerage board. Each notice shall state the date of such notice, the name of the Certificates to be prepaid, the date of the Certificates, the prepayment date, the prepayment price, the place of prepayment (including the address of the Principal Corporate Trust Office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any one maturity, the numbers of the Certificates of such maturity to be prepaid and, in the case of Certificates to be prepaid in part only,
the respective portions of the principal amount evidenced and represented thereby to be prepaid, and each
notice shall also give notice that further interest evidenced and represented by the Certificates or the
portions thereof designated for prepayment shall cease to accrue from and after such prepayment date and
that on such prepayment date there will become due and payable on each of the Certificates or the
portions thereof designated for prepayment the prepayment price evidenced and represented thereby, and
each notice shall require that such Certificates be then surrendered for prepayment in whole or in part at
the Principal Corporate Trust Office of the Trustee, and each notice shall also include a statement that
failure to receive such notice or any immaterial defect contained therein shall not affect the sufficiency of
the prepayment proceedings as provided herein; provided, that if any Certificate so chosen for
prepayment shall not be prepayable in whole, such notice shall also state that such Certificate is to be
prepaid in part only and that upon presentation of such Certificate for prepayment at the Principal
Corporate Trust Office of the Trustee there will be delivered in lieu of the unprepaid portion of the
principal amount evidenced and represented thereby a new Certificate or Certificates of the same
Certificate Payment Date of authorized denominations equal in aggregate principal amount to such
unprepaid principal amount; and provided further, that the Trustee shall have no responsibility for a defect
in the CUSIP numbers that appear in any notice of prepayment, and any notice of prepayment may
provide that the CUSIP numbers have been assigned by an independent service and are included in the
notice solely for the convenience of the Owners, and that neither the District nor the Trustee shall be
liable in any way for inaccuracies in such numbers.

The Trustee shall give notice of prepayment of any Certificates or portions thereof to be prepaid
pursuant to Section 4.01(b) upon receipt of a Request of the District (which Request shall be given to the
Trustee at least sixty-five (65) days prior to the date fixed for prepayment); provided, that receipt of any
such notice shall not be a condition precedent to the effect of such notice and neither failure to receive
any such notice nor any immaterial defect contained therein shall affect the sufficiency or validity of any
proceedings taken in connection with a prepayment of Certificates or portions thereof.

SECTION 4.04. Effect of Prepayment of Certificates. If notice of prepayment of Certificates
has been duly given as aforesaid and money for the payment of the prepayment price of the Certificates or
the portions thereof to be prepaid is held by the Trustee, then on the prepayment dates designated in such
notice the Certificates or such portions thereof so called for prepayment shall become payable at the
prepayment price specified in such notice; and from and after the dates so designated interest evidenced
and represented by the Certificates or such portions thereof so called for prepayment shall cease to accrue,
such Certificates or such portions thereof shall cease to be entitled to any benefit, protection or security
pursuant hereto and the Owners of such Certificates shall have no rights in respect thereof except to
receive payment of the prepayment price evidenced and represented by the Certificates or such portions to
be prepaid. The Trustee shall, upon surrender for prepayment of any of the Certificates to be prepaid in
whole or in part on their prepayment dates, pay such Certificates or such portions thereof at the
prepayment price evidenced and represented thereby, and shall execute and deliver to the Owner of any
Certificate prepaid in part a new Certificate representing the prepaid principal amount of the Certificate
so surrendered, and all Certificates surrendered and prepaid pursuant to the provisions of this article shall
be cancelled by the Trustee.

ARTICLE V

2010 INSTALLMENT PAYMENTS; LOAN GUARANTEE PAYMENTS

SECTION 5.01. Use of 2010 Installment Payments; Loan Guarantee Payments. The 2010
Installment Payments shall be used for the punctual payment of the interest and principal and prepayment
premiums, if any, evidenced and represented by the Certificates, and shall not be used for any other
purpose while any of the Certificates remain Outstanding. All 2010 Installment Payments shall be paid
directly by the District to the Trustee, as provided in the Assignment Agreement, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee immediately after the receipt thereof. All 2010 Installment Payments received by the Trustee shall be held in trust by the Trustee pursuant to the terms hereof and shall be deposited by it as and when received in a separate fund to be known as the “Imperial Irrigation District 2010 Installment Purchase Contract Installment Payment Fund,” which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit of the District until deposited in the accounts provided in Section 5.02, whereupon such money shall be held in trust in such accounts by the Trustee for the benefit of the Owners. The District and the Corporation (to the extent of their rights, if any, in the 2010 Installment Payment Fund, although it is the intent of the parties hereto that the Corporation not have any right, title or interest in or to the 2010 Installment Payment Fund) hereby pledge and grant a lien on and a security interest in the 2010 Installment Payment Fund and the money and other property held therein to the Trustee for the benefit of the Owners.

Furthermore, the Trustee shall deposit all payments received under the Loan Guarantee in the 2010 Installment Payment Fund. Upon receipt of written notice from the District that the QSA has been terminated (which notice shall provide the termination date), the Trustee shall commence drawing on the Loan Guarantee pursuant to its terms no earlier than the first day of the twenty-fifth month following such termination date. The Trustee shall deliver a demand for payment as provided in the Loan Guarantee no later than 10 Business Days prior to each Interest Payment Date to and including the final maturity date of the Certificates.

SECTION 5.02. Deposit of Money in the 2010 Installment Payment Fund. The Trustee shall deposit the money contained in the 2010 Installment Payment Fund into the following respective accounts at the following respective times in the manner hereinafter provided, each of which accounts the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(a) Interest Account. The Trustee, on each Interest Payment Date (commencing on __________), shall deposit in the Interest Account that amount of money representing the portion of the 2010 Installment Payments constituting the interest components thereof becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by the Certificates on their respective Interest Payment Dates.

(b) Principal Account. The Trustee, on each Principal Payment Date (commencing on July 1, 200__) shall deposit in the Principal Account that amount of money representing the portion of the 2010 Installment Payments constituting the principal components thereof becoming due and payable on such Principal Payment Date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Certificates on their respective Certificate Payment Dates.

(c) Prepayment Account. The Trustee, on the prepayment date specified in any Request of the District filed with the Trustee at the time that any prepaid 2010 Installment Payment is paid to the Trustee pursuant to the 2010 Installment Purchase Contract, shall deposit in the Prepayment Account the prepaid 2010 Installment Payments. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates to be prepaid on their respective prepayment dates.

SECTION 5.03. Reserve Fund. The District hereby agrees to establish and maintain with the Trustee so long as any Certificates are Outstanding a separate fund designated the “Imperial Irrigation
District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project) Reserve Fund.” All money on deposit in the Reserve Fund in excess of the Reserve Fund Requirement shall, on or before January 1 and July 1 of each year (commencing on ____________), be deposited in the 2010 Installment Payment Fund; and for this purpose all investments in the Reserve Fund shall be valued on or before January 1 and July 1 of each year (commencing on ____________) in accordance with the provisions set forth in the definition of Permitted Investments. The Corporation and the District (to the extent of their rights, if any, in the Reserve Fund, although it is the intent of the parties hereto that the Corporation not have any right, title or interest in or to the Reserve Fund) hereby pledge and grant a first and exclusive lien on and a security interest in the money in the Reserve Fund to the Trustee for the benefit of the Owners in order to secure the District’s obligation to pay the 2010 Installment Payments due and payable pursuant to the 2010 Installment Purchase Contract. The Trustee is directed to withdraw any money on deposit in the Reserve Fund for the payment of the last maturing 2010 Installment Payment as and when it becomes due (or for the payment of the largest amount thereof payable from the money then on deposit in the Reserve Fund); and the Trustee is directed to withdraw any money on deposit in the Reserve Fund solely for the payment of 2010 Installment Payments due and payable by the District pursuant to the 2010 Installment Purchase Contract if and when money has not been provided by the District in time sufficient to make such 2010 Installment Payments as provided therein; provided, that the application of any money on deposit in the Reserve Fund to make a 2010 Installment Payment shall not relieve the District of its obligation to make such 2010 Installment Payment as and when due and payable, and upon receipt by the Trustee from the District of any delinquent 2010 Installment Payment (together with interest thereon) for which money has been advanced from the Reserve Fund, such delinquent payment (together with such interest) shall be deposited in the Reserve Fund to the extent of such advance. Upon the discharge hereof, any balance of money remaining in the Reserve Fund shall, after payment of any applicable fees and expenses of the Trustee, or provision for such payment having been made to the satisfaction of the Trustee, be released from the foregoing pledge, lien and security interest and shall be transferred to such other fund or account of the District or shall be otherwise used by the District for any lawful purposes as the District may direct in a Request of the District filed with the Trustee.

ARTICLE VI

COVENANTS

SECTION 6.01. Compliance with the Trust Agreement. The Trustee will not execute or deliver the Certificates in any manner other than in accordance with the provisions hereof; and neither the Corporation nor the District will suffer or permit any default by them to occur hereunder, but each will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it.

SECTION 6.02. Compliance with the 2010 Installment Purchase Contract. Subject to the transfer of the Corporation’s rights under the 2010 Installment Purchase Contract to the Trustee pursuant to the Assignment Agreement, the Corporation and the District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the 2010 Installment Purchase Contract required to be observed and performed by them, and each will enforce the 2010 Installment Purchase Contract against the other party thereto in accordance with its terms.

Subject to the transfer of the Corporation’s rights under the 2010 Installment Purchase Contract to the Trustee pursuant to the Assignment Agreement, the Corporation and the District will not amend the 2010 Installment Purchase Contract without the prior written consent of the Trustee and the Certificate Insurer, which consent, in the case of the Trustee, shall be given only if an Opinion of Counsel is delivered to the Trustee that such amendment will not result in any material impairment of the security
given or intended to be given pursuant to the 2010 Installment Purchase Contract for the payment of the 2010 Installment Payments.

SECTION 6.03. Observance of Laws and Regulations. The Corporation and the District will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned or forfeited or in any manner impaired.

SECTION 6.04. Tax Covenants. Under the 2010 Installment Purchase Contract, the District and the Corporation have undertaken certain covenants with respect to the exclusion of the Interest Component of 2010 Installment Payments from the gross income of the owner thereof for federal income tax purposes.

SECTION 6.05. Other Liens. The District will keep the Water System and all parts thereof free from judgments and liens and free from all claims, demands or encumbrances of whatever nature or character, and free from any claim or liability which might embarrass or hamper the District in utilizing the Water System or any portion thereof (except those existing on the date of the acquisition of the 2010 Water System Project), and the District will notify the Trustee and the Certificate Insurer within five (5) days of receipt by the District of notice of any lien, claim or liability encompassed by this section. The Trustee at its option (after first giving the District ten (10) days’ written notice to comply therewith and failure of the District to so comply within such period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings, provided, that in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the District from any liability for or on account of its failure to observe or perform any of the agreements, conditions, covenants or terms contained herein required to be observed or performed by it, or from its liability hereunder to defend the validity hereof.

SECTION 6.06. Prosecution and Defense of Suits. The District will promptly, upon request of the Trustee, the Corporation or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Water System or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee and the Certificate Insurer and every Owner harmless from all cost, damage, expense or loss, including attorneys’ fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

The District will defend against every action, suit or other proceeding at any time brought against the Trustee, the Corporation or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the 2010 Installment Payments or involving any rights or obligations of the Trustee or any Owner hereunder; provided, that the Trustee, the Corporation or any Owner at its or his or her election may appear in and defend any such action, suit or other proceeding. The District will indemnify and hold harmless the Trustee, the Corporation and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Trustee and the Owners against any attorneys’ fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder; provided, that with respect to the Owners, such litigation shall be concluded favorably to such Owners’ claims or assertions therein and the District shall have first refused the defense of any such claim or assertion or
shall have expressly granted permission of such person to defend against any such claim or assertion at the expense of the District.

SECTION 6.07. Accounting Records and Statements. The Trustee will keep proper books of record and account in accordance with standard corporate trust industry practice in which complete and correct entries shall be made as applicable of all transactions relating to the receipt, investment, disbursement, allocation and application of the 2010 Installment Payments and the proceeds of the Certificates. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (a) its purchase price, (b) identifying information, including par amount, coupon rate and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto, and (e) such documentation as is required to be obtained by the District as evidence to establish that all investments have been purchased in arms’-length transactions with no amounts paid to reduce the yield on the investments, and such records shall be open to inspection by any Owner at any reasonable time during regular business hours on reasonable notice; provided, that with respect to any determinations required to be made pursuant to this section, the Trustee may request and the District shall provide any such determination, upon which determination the Trustee may conclusively rely.

SECTION 6.08. Recordation and Filing. The District will file, record, register, renew, refill and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the money in the 2010 Installment Payment Fund and in the Reserve Fund pursuant hereto, all in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights of the Trustee hereunder, and the District will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the 2010 Installment Payments as provided herein.

SECTION 6.09. Application of Condemnation and Insurance Proceeds. In the event of any taking by condemnation of any part of the Water System or any damage to or destruction of any part of the Water System covered by insurance, the District shall cause the proceeds of such condemnation proceedings or such insurance to be deposited with the Trustee and utilized for the repair, reconstruction or replacement of the condemned, damaged or destroyed portion of the Water System, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Water System to at least the same good order, repair and condition as it was in prior to such condemnation, damage or destruction insofar as the same may be accomplished by the use of such proceeds, and withdrawals of such proceeds shall be made from time to time upon the filing with the Trustee of the Request of the District, stating that the District has expended money or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Water System and specifying the items (in reasonable detail) for which such money was expended or such liabilities were incurred, and any balance of such proceeds not required for such repair, reconstruction or replacement shall, after receipt by the Trustee of a Certification of the District that such repair, reconstruction or replacement has been completed, be deposited by the Trustee in the Revenue Fund; provided, that the District, at its option and with the prior written consent of the Certificate Insurer, may elect not to repair, reconstruct or replace the condemned, damaged or destroyed portion of the Water System and may use such proceeds for the prepayment of the Debt Service (as that term is defined in the 2010 Installment Purchase Contract) on all the Parity Obligations (as that term is defined in the 2010 Installment Purchase Contract) in such proportionate payments that the principal amount of the outstanding obligation under each of such Parity Obligations bears to the total principal amount of all such Parity Obligations.

SECTION 6.10. Continuing Disclosure. The District hereby agrees and covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the
District and dated the date of the original execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the District to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default hereunder; provided, that any Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section.

SECTION 6.11. Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Corporation and the District will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them pursuant hereto.

ARTICLE VII
DEFAULT AND LIMITATIONS OF LIABILITY

SECTION 7.01. Action on Default. If any Event of Default shall happen, then such Event of Default shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default the Trustee may, with the consent of the Certificate Insurer, and shall, at the direction of the Certificate Insurer or the Owners of not less than a majority in aggregate principal amount of Outstanding Certificates, with the consent of the Certificate Insurer, upon notice in writing to the Corporation and to the District, exercise the remedies provided to the Corporation in the 2010 Installment Purchase Contract; provided, that nothing contained herein shall affect or impair the right of action of any Owner to institute suit directly against the District to enforce payment of the obligation evidenced and represented by such Owner’s Certificate; [and provided further, that notwithstanding any other provisions hereof, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant hereto, the Trustee shall consider the effect on the Owners as if there were no Certificate Insurance Policy; and provided further, that in the event the payment dates of any 2010 Installment Payments evidenced and represented by the Certificates are accelerated, the Certificate Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the District) and the Trustee shall be required to accept such amounts, and upon payment of such accelerated principal and interest accrued to the acceleration date as hereinabove provided, the Certificate Insurer’s obligations under the Certificate Insurance Policy shall be fully discharged].

SECTION 7.02. Other Remedies of the Trustee. The Trustee may, with the consent of the Certificate Insurer, and to the extent indemnified to its satisfaction shall, at the • direction of the Certificate Insurer:

(a) by mandamus or other action or proceeding or suit at law or in equity, institute action to enforce its rights against the Corporation or the District or any member of the Board of Directors or officer or employee of the District, and to compel the Corporation or the District or any member of the Board of Directors or officer or employee of the District to observe or perform its or his or her duties under applicable law and the agreements, conditions, covenants and terms contained herein required to be observed or performed by it or him or her;

(b) by suit in equity, institute action to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or
(c) by suit in equity upon the happening of an Event of Default hereunder, institute action to require the Corporation or the District or any member of the Board of Directors or officer or employee of the District to account as the trustee of an express trust.

SECTION 7.03. Non-Waiver. A waiver by the Trustee of any default pursuant hereto or breach of any obligation by the District pursuant hereto shall not affect any subsequent default pursuant hereto or any subsequent breach of an obligation by the District pursuant hereto or impair any rights or remedies on any such subsequent default pursuant hereto or on any such subsequent breach of an obligation by the District pursuant hereto. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default pursuant hereto shall impair any such right or remedy or shall be construed to be a waiver of any such default pursuant hereto or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Corporation or the District or the Trustee or the Certificate Insurer, the Corporation and the District and the Trustee and the Certificate Insurer shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

SECTION 7.04. Application of Funds. All money received by the Trustee pursuant to any right given or action taken under the provisions of this article or of Article VI of the 2010 Installment Purchase Contract shall be deposited in a segregated account in the 2010 Installment Payment Fund and shall be applied by the Trustee (after payment of all amounts due and payable to it pursuant to Section 8.03) in the following order and upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid --

First, Costs and Expenses: to the payment of the fees and expenses of the Trustee and then the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the Owners entitled thereto of all payments of interest evidenced and represented by the Certificates then due in the order of the due date of such payments, and, if the amount available shall not be sufficient to pay in full any payment or payments coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Owners entitled thereto, without any discrimination or preference;

Third, Principal: to the payment to the Owners entitled thereto of the unpaid principal evidenced and represented by any Certificates which shall have become due, whether on the Certificate Payment Date or by call for prepayment, in the order of their due dates, with interest on the overdue interest and principal evidenced and represented by the Certificates at a rate equal to the rate evidenced and represented by such Certificates, and if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of interest and principal due on such date to the Owners entitled thereto, without any discrimination or preference; and

Fourth, Amounts due to the Certificate Insurer: to the payment to the Certificate Insurer of all amounts due to the Certificate Insurer as certified by the Certificate Insurer, upon which certificate the Trustee may conclusively rely, in respect of the Trust Agreement and the 2010 Installment Purchase Contract.
SECTION 7.05. Remedies Not Exclusive. No remedy conferred herein upon or reserved herein to the Trustee is intended to be exclusive and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given hereunder or now or hereafter existing under any applicable law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

SECTION 7.06. No Liability by the Corporation to the Owners. The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the 2010 Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the 2010 Installment Purchase Contract or herein required to be observed or performed by it, or with respect to the performance by the District or the Trustee of any obligation contained herein required to be performed by either of them.

SECTION 7.07. No Liability by the District to the Owners. Except for the payment when due of the 2010 Installment Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the 2010 Installment Purchase Contract or herein required to be observed or performed by it, the District shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the execution, delivery, transfer, exchange or cancellation of the Certificates or the receipt, deposit or disbursement of the 2010 Installment Payments by the Trustee, or with respect to the performance by the Corporation or the Trustee of any obligation contained herein required to be performed by either of them.

SECTION 7.08. No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the 2010 Installment Payments by the District, or with respect to the observance or performance by the Corporation or the District of the other agreements, conditions, covenants and terms contained herein required to be observed and performed by either of them.

ARTICLE VIII
THE TRUSTEE

SECTION 8.01. Employment and Duties of the Trustee. The District hereby appoints and employs the Trustee to receive, deposit and disburse the 2010 Installment Payments as provided herein, to register, execute, deliver, transfer, exchange and cancel the Certificates as provided herein, to pay the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates to the Owners thereof as provided herein and to perform the other obligations of the Trustee as provided herein, all in the manner provided herein and subject to the conditions and terms hereof; and by executing and delivering the Trust Agreement, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied covenants or obligations shall be read herein against the Trustee.

SECTION 8.02. Removal and Resignation of the Trustee. The District may at any time (in the absence of an Event of Default which shall then be continuing, and subject to the prior written consent of the Certificate Insurer) remove the original Trustee hereunder and any successor thereto by giving written notice of such removal to such Trustee and by giving notice by mail pursuant to Section 11.07 of such removal to all Owners of Certificates, and the original Trustee hereunder and any successor thereto may at any time resign by giving written notice of such resignation to the District and the Certificate Insurer and by giving notice by mail pursuant to Section 11.07 of such resignation to all Owners of Certificates, and upon giving any such notice of removal or upon receiving any such notice of resignation, the District shall (subject to the prior written consent of the Certificate Insurer) promptly appoint a successor Trustee.
by an instrument in writing; provided, that in the event the District does not appoint a successor Trustee 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 Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee; and provided further, that notwithstanding any other provision hereof, no removal, resignation or termination of a Trustee shall take effect until a successor Trustee acceptable to the Certificate Insurer shall be appointed and the acceptance of appointment by such successor Trustee. Any successor Trustee shall be a bank or trust company or a national banking association doing corporate trust business and having a principal corporate trust office in Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars ($100,000,000) and subject to supervision or examination by state or national authorities; provided, that if such bank or trust company or national banking association publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may be removed at any time, at the request of the Certificate Insurer, for any breach of the trust set forth herein.

SECTION 8.03. Compensation and Indemnification of the Trustee. The District shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee compensation for its services hereunder and reimburse the Trustee for all its advances and expenditures hereunder (with interest on such advances or expenditures at the maximum interest rate allowed by law), including, but not limited to, advances to and expenditures for accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations pursuant hereto; provided, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established pursuant hereto or pursuant to the 2010 Installment Purchase Contract, although the Trustee may take whatever legal actions are available to it directly against the District to recover such compensation or reimbursement.

To the extent permitted by law, the District does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Water System by the District, (ii) any act of negligence of the District or of any of its agents, contractors, supervisors, employees, invitees, licensees or officers in connection with the Water System, (iii) the authorization of the payment of any costs or expenses of the acquisition of the 2010 Water System Project, or (iv) the exercise of any rights or obligations of the Trustee hereunder (which such right of indemnification provided to the Trustee hereunder shall survive the discharge of the Trust Agreement or the resignation or removal of the Trustee); provided, that no indemnification will be made for willful misconduct or negligence pursuant hereto by the Trustee.

SECTION 8.04. Protection of the Trustee. The Trustee shall be protected and indemnified as stated herein by the District and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, certification, consent, notice, request, requisition, resolution, statement, telegram, facsimile transmission, electronic mail, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but
may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the 2010 Installment Purchase Contract or of the assignment made to it of certain rights thereunder pursuant to the Assignment Agreement, or of the title or value of the Water System, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof (from the Certificate Insurer or otherwise) at its Principal Corporate Trust Office. All recitals, warranties or representations contained therein are statements of the District, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the District, or any other party, of any funds which the Trustee properly releases to the District or which the District may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by any party (other than the Trustee) of the Trust Agreement, any Certificate, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Trust Agreement), or with respect to any obligation of the Corporation or the District pursuant hereto or pursuant to the 2010 Installment Purchase Contract.

Whenever in the observance or performance of its rights and obligations pursuant hereto the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action pursuant hereto, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certification of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered pursuant to the provisions hereof upon the faith thereof; but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if it were not a party hereto. The Trustee, or any of its affiliates, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as agent, depositary or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the District as freely as if it were not the Trustee hereunder.

The Trustee shall not be answerable for the exercise of any of its rights pursuant hereto or for the performance of any of its obligations pursuant hereto or for anything whatsoever in connection with the funds established pursuant hereto, except only for its own willful misconduct or negligence.

No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial or other liability or risk in the performance of any of its obligations pursuant hereto or in the exercise of any of its rights pursuant hereto if repayment of such funds or adequate indemnity against such risk or liability is not assured to it, and before taking any action pursuant hereto the Trustee may require that indemnity satisfactory to it be furnished for all expenses to which it may be put and to protect it from all liability pursuant hereto.

The Trustee shall not be liable with respect to any action taken or not taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Certificates at the time Outstanding relating to the exercise of any right or remedy available to the Trustee pursuant to the 2010
Installment Purchase Contract or pursuant hereto or pursuant to any other trust or power conferred upon the Trustee.

Every provision of the 2010 Installment Purchase Contract, the Assignment Agreement and hereof relating to the conduct or liability of the Trustee shall be subject to the provisions hereof, including without limitation this article.

In acting as Trustee pursuant hereto, the Trustee shall act solely in its capacity as Trustee pursuant hereto and not in its individual or personal capacity, and all persons, including without limitation the Corporation, the District, the Certificate Insurer and the Owners, having any claim against the Trustee shall look only to the accounts and funds held by the Trustee pursuant hereto for payment, except as otherwise provided herein, and under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement or other offering document prepared or distributed in connection with the sale and original execution and delivery of the Certificates.

The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the Corporation or the District, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the 2010 Water System Project, malicious mischief, condemnation and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Trust Agreement; provided, that (a) subsequent to such facsimile transmission of written instructions and/or directions, the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE TRUST AGREEMENT

SECTION 9.01. Amendment of or Supplement to the Trust Agreement.

(a) Amendment or Supplement With Consent of Owners. The Trust Agreement and the rights and obligations of the Trustee, the Corporation, the District and the Owners pursuant hereto may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Certificate Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.02, and of Fitch (if Fitch is then rating the Certificates) and of Moody’s (if Moody’s is then rating the Certificates) and of S&P (if S&P is then rating the Certificates), are filed with the Trustee. No
such amendment or supplement shall (1) reduce the rate of interest evidenced and represented by any Certificate or extend the time of payment thereof or reduce the amount of principal or prepayment premium evidenced and represented by any Certificate or extend the Certificate Payment Date thereof without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of certain amendments hereof or supplements hereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) Amendment or Supplement Without Consent of Owners. The Trust Agreement and the rights and obligations of the Trustee, the Corporation, the District and the Owners hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto upon execution without the written consents of any Owners, but only with the written consent of the Certificate Insurer and only to the extent permitted by law and only after receipt of an approving Opinion of Counsel that such amendment will not adversely affect the interests of the Owners and after filing by the District of copies of such amendment or supplement with Fitch (if Fitch is then rating the Certificates) and with Moody’s (if Moody’s is then rating the Certificates) and with S&P (if S&P is then rating the Certificates) and only for any one or more of the following purposes --

(i) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Corporation or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right reserved herein to or conferred herein on the Corporation or the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising pursuant hereto which the Corporation or the District may deem desirable or necessary;

(iii) to amend or supplement the Trust Agreement in such manner as to preserve the exemption of the Certificates from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Trust Agreement under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect;

(iv) to make any amendments or supplements necessary or appropriate to preserve or protect the exemption of interest evidenced and represented by the Certificates from State of California personal income taxes;

(v) to make such amendments or supplements as may be necessary or appropriate to maintain any then current Rating on the Certificates; or

(vi) to add to the rights of the Trustee.

SECTION 9.02. Disqualified Certificates. All Certificates held for the account of the District (but excluding Certificates held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this section.

SECTION 9.03. Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the District may determine that the
Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of the Certificate for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the District shall so determine, new Certificates so modified as in the opinion of the District shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged without cost to such Owner for Certificates then Outstanding at the Principal Corporate Trust Office of the Trustee upon surrender of such Outstanding Certificates. All Certificates surrendered to the Trustee pursuant to the provisions of this section shall be cancelled by the Trustee.

SECTION 9.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner, with the prior written consent of the Certificate Insurer, from accepting any amendment or supplement as to the particular Certificates owned by such Owner; provided, that due notation thereof is made on such Certificates.

ARTICLE X
DEFEASANCE

SECTION 10.01. Discharge of Certificates and Trust Agreement.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Certificates the interest and principal and prepayment premiums, if any, evidenced and represented thereby at the times and in the manner provided herein and therein, and all other amounts due and owing pursuant hereto or pursuant to the 2010 Installment Purchase Contract shall have been paid in full, then such Owners shall cease to be entitled to the pledge of and lien on the 2010 Installment Payments as provided herein, and all agreements and covenants of the Corporation and the District to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificates shall prior to their Certificate Payment Dates or their dates of prepayment prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the District shall remain liable for the payment of such Certificates, but only from the money deposited with the Trustee as herein described) if (1) in case any of such Certificates are to be prepaid on any date prior to their Certificate Payment Dates, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail pursuant to Section 11.07 to the Owners of such Certificates and to such securities information services selected by the District pursuant to Section 4.03 of the prepayment of such Certificates on such prepayment dates, and (2) there shall have been deposited with the Trustee money which shall be sufficient to pay when due the interest evidenced and represented by such Certificates on and prior to their Certificate Payment Dates or their dates of prepayment prior thereto, as the case may be.

(c) Any Outstanding Certificates shall prior to their Certificate Payment Dates or their dates of prepayment prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the District shall remain liable for the payment of such Certificates, but only from the money or securities deposited with the Trustee or an escrow agent as herein described) if (1) in case any of such Certificates are to be prepaid on any date prior to their Certificate Payment Dates, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail pursuant to Section 11.07 to the Owners of such
Certificates and to such securities information services selected by the District pursuant to Section 4.03 of the prepayment of such Certificates on such prepayment dates, (2) there shall have been deposited with the Trustee or an appropriate escrow agent Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee or such escrow agent at the same time, shall be sufficient (as verified in writing by a report of an Independent Certified Public Accountant (as that term is defined in the 2010 Installment Purchase Contract) addressed to the Corporation and the District and the Trustee and the Certificate Insurer) to pay when due the interest evidenced and represented by such Certificates on and prior to their Certificate Payment Dates or their dates of prepayment prior thereto, as the case may be, and the principal and prepayment premiums, if any, evidenced and represented by such Certificates, on their Certificate Payment Dates or their dates of prepayment prior thereto, as the case may be, and (3) in the event such Certificates are not by their terms subject to prepayment within the next succeeding sixty (60) days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail pursuant to Section 11.07 to the Owners of such Certificates and to such securities information services selected by the District pursuant to Section 4.03 that the deposit required by clause (2) above has been made with the Trustee or such escrow agent and that such Certificates are deemed to have been paid in accordance with this section, and stating their Certificate Payment Dates or their dates of prepayment prior thereto upon which money is to be available for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates.

(d) After the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by all Outstanding Certificates as provided in this section and the payment of all amounts due to the Certificate Insurer pursuant hereto or pursuant to the 2010 Installment Purchase Contract, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall, after payment of all fees and expenses of the Trustee hereunder, pay over or deliver to the District all money or deposits or investments held by it pursuant hereto which are not required for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates and the payment of all amounts due to the Certificate Insurer pursuant hereto or pursuant to the 2010 Installment Purchase Contract.

(e) [Notwithstanding anything contained herein to the contrary, in the event that the interest on or principal of any of the Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, such Certificates shall remain Outstanding hereunder for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the District, and the assignment and pledge hereof and all agreements, covenants and other obligations of the District to the Owners of such Certificates shall continue to exist and shall run to the benefit of the Certificate Insurer, and the Certificate Insurer shall be subrogated to the rights of such Owners.]

SECTION 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or prepayment premiums, if any, evidenced and represented by any Certificates which remains unclaimed for two (2) years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates have become payable, shall be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee and the Certificate Insurer shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal and prepayment premiums, if any,
evidenced and represented by such Certificates; provided, that before being required to make any such payment to the District, the Trustee shall, at the expense of the District, give notice by mail pursuant to Section 11.07 to all Owners of Certificates and to such securities information services selected by the District pursuant to Section 4.03 that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the District.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Benefits of the Trust Agreement Limited to Parties and Certificate Insurer. Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the District, the Corporation, the Trustee, the Certificate Insurer and the Owners, any right, remedy or claim pursuant to or by reason hereof or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements contained herein by and on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Corporation, the District, the Trustee, the Certificate Insurer and the Owners; and to the extent that the Trust Agreement confers upon or gives or grants to the Certificate Insurer any right, remedy or claim pursuant hereto or by reason hereof, the Certificate Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 11.02. Successor Deemed Included in All References to Predecessor. Whenever either the Trustee or the Corporation or the District or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Trustee, the Corporation or the District or such officer, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee, the Corporation or the District or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 11.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner’s attorney of any declaration, request or other instrument or of any 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 declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Corporation or the District or the Trustee in good faith and in accordance therewith.

SECTION 11.04. Waiver of Personal Liability. No member of the Board of Directors or officer or employee of the District shall be individually or personally liable for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the Certificates, but nothing contained herein shall relieve any member of the Board of Directors or officer or employee of the District
from the performance of any official duty provided by any applicable provisions of law or by the 2010 Installment Purchase Contract or by the Assignment Agreement or hereby.

SECTION 11.05. Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

SECTION 11.06. Content of Certifications. Every Certification with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons executing such certification have read such agreement, condition, covenant or term and the definitions herein relating thereto, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certification 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 Certification may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person or persons executing such certification know that the Opinion of Counsel with respect to the matters upon which his or their certification may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 11.07. Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Certificates shall be given by mailing a copy of such notice, first class postage prepaid, to the Owners of such Certificates at their addresses appearing in the books required to be kept by the Trustee pursuant to Section 2.07 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; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

SECTION 11.08. Accounts and Funds. Any account or fund required to be established and maintained herein by the Trustee or the Treasurer may be established and maintained in the accounting records of the Trustee or the Treasurer, as the case may be, either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with industry practice and with due regard for the protection of the security of the Certificates and the rights of the Owners.

SECTION 11.09. Investments. Any money held by the Trustee or the Treasurer hereunder shall be held in trust accounts or demand or time deposits (including certificates of deposit) of any bank (including the Trustee and its affiliates) authorized to accept deposits of public funds, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except that (i) any such money shall be invested by the Trustee or the Treasurer as directed by the District in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder, and (ii) any investments of money in the Reserve Fund shall have an average aggregate weighted term to maturity not greater than five (5) years or

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which are redeemable at par on any date on or after five (5) years for the purchase thereof. All investment instructions of the District to the Trustee shall be furnished to the Trustee at least two (2) days prior to the date any such investment is to be made and shall contain a certification to the Trustee that such investments constitute Permitted Investments, and in the absence of written investment directions from the District, the Trustee shall invest any such money solely in those Permitted Investments defined in clause (B)5 of the definition thereof. The Trustee may act as agent, principal, sponsor or advisor in the acquisition or disposition of any such deposit or investment hereunder and may, for the purpose of any such deposit or investment, commingle any of the money held by it pursuant hereto, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with this section. The Trustee or the Treasurer may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and neither the Trustee nor the Treasurer shall be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments (other than from deposits or investments of money in the Reserve Fund) received by the Trustee or the Treasurer shall be transferred as and when received to the District for deposit in the 2010 Installment Payment Fund.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law; provided, that the Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

SECTION 11.10. [Consent of the Certificate Insurer. As long as the Certificate Insurance Policy is in effect, the Corporation, the District and the Trustee agree to comply with the following provisions:

(a) Any provision hereof expressly recognizing or granting rights in or to the Certificate Insurer may not be amended in any manner which affects the rights of the Certificate Insurer hereunder without the prior written consent of the Certificate Insurer, and the Certificate Insurer reserves the right to charge the District a fee for any consent or amendment hereto while the Certificate Insurance Policy is outstanding;

(b) Unless otherwise provided in this section, the Certificate Insurer’s consent shall be required (in addition to the consent of Owners of the Outstanding Certificates, when required) for the following purposes: (i) the execution and delivery of a Supplemental Trust Agreement or any amendment, supplement or change to or modification of the 2010 Installment Purchase Contract; (ii) the removal of the Trustee and the selection and appointment of any successor Trustee; and (iii) the initiation or approval of any action not described in clauses (i) or (ii) above which requires the consent of Owners of the Outstanding Certificates;

(c) Any reorganization or liquidation plan with respect to the District must be acceptable to the Certificate Insurer, and in the event of any such reorganization or liquidation, the Certificate Insurer shall have the right to vote on behalf of all Owners of the Certificates;

(d) Notwithstanding anything contained herein to the contrary, upon the occurrence and continuance of an Event of Default, the Certificate Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Certificates or the Trustee for the benefit of the Owners of the Certificates pursuant hereto, including, without limitation, the right to accelerate the principal of the Certificates as described herein and the right to annul any declaration of acceleration, and the Certificate Insurer shall also be entitled to approve all waivers of Events of Default.
Notwithstanding anything contained herein to the contrary, the consent or approval of the Certificate Insurer shall not be required hereunder and the Certificate Insurer shall have no right to direct proceedings following an Event of Default pursuant hereto if the Certificate Insurer is then in default with respect to its payment obligations under the Certificate Insurance Policy.]

SECTION 11.11. [Information to be Provided to the Certificate Insurer. As long as the Certificate Insurance Policy is in effect, the District or the Trustee, as appropriate, agree to furnish to the Certificate Insurer (to the attention of the Surveillance Department of the Certificate Insurer, unless otherwise indicated):

(a) as soon as practicable after the filing thereof, a copy of any financial statement of the District and a copy of any audit and annual report of the District;

(b) a copy of any notice to be given to the Owners of the Certificates, including, without limitation, notice of any prepayment of or defeasance of any Certificates, and any certificate rendered pursuant hereto relating to the security for the Certificates;

(c) a copy of each Continuing Disclosure Certificate relating to the Certificates delivered pursuant to Section 6.10; and

(d) such additional information it may reasonably request.

The Trustee shall notify the Certificate Insurer (to the attention of the General Counsel’s Office of the Certificate Insurer) of any failure of the District to provide any notices or certificates required to be provided by the District to the Trustee pursuant hereto at the same time as it shall notify the District of such failure.

Notwithstanding any other provision hereof, the District or the Trustee shall immediately notify the Certificate Insurer (to the attention of the General Counsel’s Office of the Certificate Insurer) if at any time the District or the Trustee has actual knowledge that there is insufficient money to make any payments of the interest on or principal of any Certificates as required pursuant hereto and immediately upon the occurrence of any Event of Default pursuant hereto.

The District will permit the Certificate Insurer to discuss the affairs, finances and accounts of the District or any information the Certificate Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the District. The Trustee or the District, as appropriate, will permit the Certificate Insurer to have access to the Water System and have access to and to make copies of all books and records relating to the Certificates at any reasonable time.

The Certificate Insurer shall have the right to direct an accounting at the District’s expense, and the District’s failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Certificate Insurer shall be deemed a default pursuant hereto; provided, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner.

The District shall annually certify to the Certificate Insurer that the insurance policies required by the 2010 Installment Purchase Contract are in full force and effect, and will provide the Certificates Insurer with copies of such policies upon request, and all policies of insurance required to be maintained in the 2010 Installment Purchase Contract shall provide that the Certificate Insurer shall be given thirty (30) days’ written notice of any intended cancellation thereof or reduction of coverage provided thereby.]
SECTION 11.12. [Payment Procedure Pursuant to the Certificate Insurance Policy. As long as the Certificate Insurance Policy is in effect, the Corporation, the District and the Trustee agree to comply with the following provisions:

(a) At least one (1) Business Day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient money in the accounts and funds established pursuant hereto to pay the interest on or principal of the Certificates on such Interest Payment Date, and if the Trustee determines that there will be insufficient money in such accounts or funds for such purpose, the Trustee shall so notify the Certificate Insurer, which notice shall specify the amount of the anticipated deficiency, the Certificates to which such deficiency is applicable and whether such Certificates will be deficient as to interest or principal, or both; and if the Trustee has so notified the Certificate Insurer at least one (1) Business Day prior to an Interest Payment Date, the Certificate Insurer will make payments of interest or principal due on the Certificates on such Interest Payment Date, and if the Trustee has not so notified the Certificate Insurer at least one (1) Business Day prior to an Interest Payment Date, the Certificate Insurer will make payments of interest or principal due on the Certificates on or before the first (1st) Business Day next following the date on which the Certificate Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Certificate Insurer as provided in subsection (a) above, make available to the Certificate Insurer, and at the Certificate Insurer’s direction, to ______________, as insurance trustee for the Certificate Insurer or any successor insurance trustee (the “Insurance Trustee”), the registration books of the District maintained by the Trustee and all records relating to the accounts and funds maintained by the Trustee pursuant hereto.

(c) After giving any notice to the Certificate Insurer pursuant to subsection (a) above, the Trustee shall provide the Certificate Insurer and the Insurance Trustee with a list of the Owners of Certificates entitled to receive interest or principal payments from the Certificate Insurer under the terms of the Certificate Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Certificates entitled to receive full or partial interest payments from the Certificate Insurer and (ii) to pay principal upon Certificates surrendered to the Insurance Trustee by the Owners of Certificates entitled to receive full or partial principal payments from the Certificate Insurer.

(d) The Trustee shall, at the time it provides notice to the Certificate Insurer pursuant to subsection (a) above, notify Owners of Certificates entitled to receive the payment of interest or principal thereon from the Certificate Insurer (i) as to the fact of such entitlement, (ii) that the Certificate Insurer will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner’s right to payment, (iii) that should they be entitled to receive full payment of principal from the Certificate Insurer, they must surrender their Certificates (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Certificates to be registered in the name of the Certificate Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Certificate Insurer, they must surrender their Certificates for payment thereon first to the Trustee who shall note on such Certificates the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of such principal.

(e) In the event that the Trustee has actual notice that any payment of interest or principal on a Certificate which has become due for payment and which is made to an Owner by or on behalf of the District has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable
order of a court having competent jurisdiction, the Trustee shall, at the time the Certificate Insurer is notified in the manner set forth in subsection (a) above, notify all Owners of Certificates that in the event that any Owner’s payment is so recovered, such Owner will be entitled to payment from the Certificate Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Certificate Insurer its records evidencing the payments of interest on and principal of the Certificates which have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(f) In addition to those rights granted the Certificate Insurer hereunder, the Certificate Insurer shall, to the extent it makes payment of interest on or principal of the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Certificate Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Certificate Insurer’s rights as subrogee on the registration books of the District maintained by the Trustee upon receipt from the Certificate Insurer of proof of the payment of interest thereon to the Owners of the Certificates, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Certificate Insurer’s rights as subrogee on the registration books of the District maintained by the Trustee upon surrender of the Certificates by the Owners thereof together with proof of the payment of principal thereof.

SECTION 11.13. Destruction of Certificates. Whenever any Certificates are surrendered to the Trustee for cancellation, the Trustee may, in lieu of such cancellation, destroy such Certificates and upon receipt of a Request of the District shall deliver a certificate of such destruction to the District.

SECTION 11.14. 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 references herein to “Articles,” “Sections” and other subdivisions or clauses 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 Trust Agreement as a whole and not to any particular article, section, subdivision or clause thereof.

SECTION 11.15. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Trustee or the Corporation or the District shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee, the Corporation and the District hereby declare that they would have executed and entered into the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Certificates 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 11.16. California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.
SECTION 11.17. Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee:

The Bank of New York Trust Company, N.A.
Attention: Corporate Trust Department
700 South Flower Street, Suite 500
Los Angeles, California 90017

If to the Corporation:

Imperial Irrigation District Financing Corporation
c/o Imperial Irrigation District
Attention: Chief Financial Officer
333 East Barioni Boulevard
P.O. Box 937
Imperial, California 92251

If to the District:

Imperial Irrigation District
Attention: General Manager
333 East Barioni Boulevard
P.O. Box 937
Imperial, California 92251

If to the Certificate Insurer:

_________________
_________________
_________________
Attention: Surveillance Department

SECTION 11.18. Execution in Counterparts. The Trust Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 11.19. Effective Date. The Trust Agreement shall become effective upon its execution and delivery.
IN WITNESS WHEREOF, the parties hereto have executed and entered into the Trust Agreement by their officers thereunto duly authorized as of the day and year first above written.

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

By __________________________
Authorized Officer

IMPERIAL IRRIGATION DISTRICT FINANCING CORPORATION

By __________________________
President

(SEAL)
ATTEST:

______________________________
Secretary
IMPERIAL IRRIGATION DISTRICT

By __________________________
President of the Board of Directors

(SEAL)
ATTEST:

______________________________
Secretary of the Board of Directors
IN WITNESS WHEREOF, the parties hereto have executed and entered into the Trust Agreement by their officers thereunto duly authorized as of the day and year first above written.

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

By ___________________________
Authorized Officer

IMPERIAL IRRIGATION DISTRICT, FINANCING CORPORATION

By ___________________________
President

ATTEST:

______________________________
Secretary

IMPERIAL IRRIGATION DISTRICT,

By ___________________________
President of the Board of Directors

ATTEST:

______________________________
Secretary of the Board of Directors
EXHIBIT A

[FORM OF CERTIFICATE OF PARTICIPATION]

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

COUNTY OF IMPERIAL

No. ___ $_________

IMPERIAL IRRIGATION DISTRICT
2010 SUBORDINATE REVENUE CERTIFICATE OF PARTICIPATION
(2010 WATER SYSTEM PROJECT)
Evidencing and Representing a Proportionate,
Undivided Interest of the Owner Hereof
in Installment Payments to Be Made
by the
Imperial Irrigation District
to the Imperial Irrigation District
Financing Corporation
under and pursuant to the
2010 Installment Purchase Contract for the
Imperial Irrigation District

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Certificate Payment Date</th>
<th>Dated as of</th>
</tr>
</thead>
<tbody>
<tr>
<td>___%</td>
<td>July 1, 20__</td>
<td>______, 2010</td>
</tr>
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CUSIP

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

THIS IS TO CERTIFY that the registered owner set forth above of this Imperial Irrigation District 2010 Subordinate Revenue Certificate of Participation (2010 Water System Project) (the “Certificate”) is the owner of a proportionate, undivided interest in the rights to receive the 2010 Installment Payments (as that term is defined in the Trust Agreement hereinafter mentioned) pursuant to the 2010 Installment Purchase Contract (2010 Water System Project) (the “2010 Installment Purchase Contract”) executed and entered into as of ________, 2010, by and between the Imperial Irrigation District (the “District”), an irrigation district duly organized and existing pursuant to the laws of the State of California, and the Imperial Irrigation District Financing Corporation (the “Corporation”), a nonprofit public benefit corporation duly organized and existing pursuant to the laws of the State of California, all of which rights to receive such 2010 Installment Payments have been assigned without recourse by the Corporation to The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing pursuant to the laws of the United States of America, at its Principal Corporate Trust Office (as that term is defined in the Trust Agreement hereinafter mentioned, and herein the “Principal Corporate Trust Office”) in Los Angeles, California, as original Trustee, or any successor.
Trustee which may at any time be substituted in the place of the original Trustee or any successor Trustee as provided in the Trust Agreement hereinafter mentioned at its Principal Corporate Trust Office (the “Trustee”).

The registered owner of this Certificate is entitled to receive, subject to the terms of the 2010 Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the Certificate Payment Date (as that term is defined in the Trust Agreement hereinafter mentioned, and herein a “Certificate Payment Date”) set forth above, upon surrender of this Certificate on such Certificate Payment Date or on the date of prepayment prior thereto at the Principal Corporate Trust Office of the Trustee, the principal sum set forth above, representing the registered owner’s proportionate share of the 2010 Installment Payments constituting principal components becoming due and payable on such Certificate Payment Date or on the date of prepayment prior thereto, and the registered owner of this Certificate, as shown in the registration books maintained by the Trustee at the close of business on the fifteenth (15th) day of the month preceding an Interest Payment Date (as that term is defined in the Trust Agreement, and herein an “Interest Payment Date”) (a “Record Date”), is entitled to receive on each Interest Payment Date such registered owner’s proportionate share of the 2010 Installment Payments constituting interest components accruing from the Interest Payment Date next preceding the date of execution hereof by the Trustee (unless such date of execution is after the Record Date for such Interest Payment Date and on or prior to such Interest Payment Date, in which case from such Interest Payment Date, or unless such date of execution is on or prior to the Record Date for the first Interest Payment Date, in which case from its date) to such Certificate Payment Date or the date of prepayment prior thereto, whichever is earlier, by check mailed by first class mail on such Interest Payment Dates to such registered owner (except that in the case of a registered owner of one million dollars ($1,000,000) or more in principal amount of outstanding Certificates, such payment shall, at such registered owner’s option, be made by wire transfer of immediately available funds to a state or national bank in the United States of America that is a member of the Federal Reserve System in accordance with written instructions provided by such registered owner to the Trustee prior to the Record Date next preceding such Interest Payment Date), which such proportionate share is determined by the multiplication of the aforesaid portion of the 2010 Installment Payments constituting principal components becoming due and payable on such Certificate Payment Date by the interest rate per annum set forth above. All such amounts are payable in lawful money of the United States of America.

This Certificate is one of the duly authorized certificates of participation entitled “Imperial Irrigation District 2010 Subordinate Revenue Certificates of Participation (2010 Water System Project)” aggregating eighty-seven million seven hundred twenty-five thousand dollars ($__________) (the “Certificates”) which have been executed by the Trustee pursuant to the terms of the Trust Agreement (the “Trust Agreement”) executed and entered into as of ________ 1, 2010, by and among the Trustee, the Corporation and the District, copies of which Trust Agreement are on file at the Principal Corporate Trust Office of the Trustee, and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto, for a description of the agreements, conditions, covenants and terms securing the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the registered owners of the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented by the parties thereto, but no such amendment or supplement shall (1) reduce the rate of interest evidenced and represented hereby or extend the time of payment thereof or reduce the amount of principal or prepayment premium evidenced and represented hereby or extend the Certificate Payment Date hereof without the prior written consent of the registered owner hereof, or (2) reduce the percentage of registered owners of Certificates whose consent is required
for the execution of certain amendments of or supplements to the Trust Agreement, or (3) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in denominations of five thousand dollars ($5,000) or any integral multiple thereof, except that no Certificate shall have more than one Certificate Payment Date.

This Certificate is transferable or exchangeable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement; provided, that the Trustee shall not be required (i) to transfer or exchange any Certificate during the fifteen (15) day period prior to the selection of any Certificates for prepayment in whole or in part pursuant to the Trust Agreement, or (ii) to transfer or exchange any Certificate selected for prepayment in whole or in part from and after the date that such Certificate has been selected for prepayment in whole or in part pursuant to the Trust Agreement. Upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange, a new Certificate or Certificates of authorized denominations of the same Certificate Payment Date equal to the principal amount hereof will be executed and delivered by the Trustee to the registered owner thereof in exchange or transfer herefor. The Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by this Certificate shall be made only to such registered owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by this Certificate to the extent of the sum or sums so paid.

The Certificates with a Certificate Payment Date of July 1, 20___, are subject to mandatory prepayment by the District prior to their Certificate Payment Date, upon notice as hereinafter provided, in part in integral multiples of five thousand dollars ($5,000) on any July 1 on or after July 1, 20___, solely from 2010 Installment Payments payable in accordance with the schedule set forth below, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without a prepayment premium, namely:

<table>
<thead>
<tr>
<th>Prepayment Date (July 1)</th>
<th>Principal Amount</th>
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</table>

*Certificate Payment Date*

The Certificates with a Certificate Payment Date of July 1, 20___, are subject to mandatory prepayment by the District prior to their Certificate Payment Date, upon notice as hereinafter provided, in part in integral multiples of five thousand dollars ($5,000) on any July 1 on or after July 1, 20___, solely from 2010 Installment Payments payable in accordance with the schedule set forth below, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented
by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without a prepayment premium, namely:

<table>
<thead>
<tr>
<th>Prepayment Date</th>
<th>Principal Amount</th>
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<tbody>
<tr>
<td>(July 1)</td>
<td></td>
</tr>
</tbody>
</table>

*Certificate Payment Date

The Certificates with a Certificate Payment Date of July 1, 20__, are subject to mandatory prepayment by the District prior to their Certificate Payment Date, upon notice as hereinafter provided, in part in integral multiples of five thousand dollars ($5,000) on any July 1 on or after July 1, 20__, solely from 2010 Installment Payments payable in accordance with the schedule set forth below, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without a prepayment premium, namely:

<table>
<thead>
<tr>
<th>Prepayment Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(July 1)</td>
<td></td>
</tr>
</tbody>
</table>

*Certificate Payment Date

The Certificates with Certificate Payment Dates on and after July 1, 20__, are subject to optional prepayment by the District prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, on any date on or after July 1, 20__, as a whole or in part from such Certificate Payment Dates selected by the District and by lot within each Certificate Payment Date in integral multiples of five thousand dollars ($5,000), from any source of available funds, at the prepayment price equal to the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

As provided in the Trust Agreement, notice of prepayment hereof or of any part hereof shall be mailed, first class postage prepaid, not less than thirty (30) nor more than sixty (60) days before the prepayment date, to the registered owner of this Certificate at his address as it appears in the registration
books maintained by the Trustee and to those securities information services selected by the District in accordance with the Trust Agreement, but failure to receive any such notice shall not affect the validity of the proceedings for the prepayment of this Certificate or such part hereof. If this Certificate or such part hereof is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, the interest evidenced and represented hereby or by such part shall cease to accrue from and after the date fixed for such prepayment.

The Certificates each evidence and represent a proportionate, undivided interest in the 2010 Installment Payments and enjoy the benefits of a security interest in the money held in the accounts and funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The obligation of the District to make the 2010 Installment Payments does not constitute a debt of the Corporation or the District or the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the Corporation or the District is obligated to levy or pledge any form of taxation or for which the Corporation or the District has levied or pledged any form of taxation.

The Trustee has no obligation or liability to the registered owners of the Certificates for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the Certificates; but rather the Trustee’s sole obligation is to administer, for the benefit of the Corporation and the District and the registered owners of the Certificates, the various accounts and funds established under the Trust Agreement, and all recitals of facts, agreements and covenants contained in this Certificate shall be taken as statements, agreements and covenants of the District, and the Trustee assumes no responsibility for the correctness of the same. The Corporation has no obligation or liability whatsoever to the registered owners of the Certificates.

IN WITNESS WHEREOF, this Certificate has been dated as of __________ 1, 2010, and has been executed by the manual signature of an authorized signatory of the Trustee on

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

By ______________________________
Authorized Signatory
[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____________________ the within Certificate and do(es) hereby irrevocably constitute and appoint _____________________ attorney to transfer such Certificate on the register of the Trustee, 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 Certificate in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

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

_____________________________
[FORM OF DTC ENDORSEMENT]

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