

AVILA BEACH COUNTY WATER DISTRICT

RESOLUTION NO. 5-77

RESOLUTION PROVIDING FOR THE ISSUANCE OF \$180,000
PRINCIPAL AMOUNT OF AVILA BEACH COUNTY WATER DISTRICT

1977 WATER REVENUE BONDS AND OF \$120,500
PRINCIPAL AMOUNT OF SERIES A BONDS OF SAID ISSUE
AND PRESCRIBING THE TERMS, CONDITIONS, DATE,
FORMS, MATURITIES, REDEMPTION PROVISIONS AND RATE
OF INTEREST ON SAID SERIES A BONDS

WHEREAS, the Board of Directors of the Avila
Beach County Water District on August 3, 1976, duly passed
and adopted a resolution calling a special revenue bond
election to be held in the District on November 2, 1976 (to
be consolidated with the State of California General Election)
for the purpose of submitting to the qualified voters of
the District the measure (hereinafter set forth) to issue
\$180,000 principal amount of water revenue bonds under the
Revenue Bond Law of 1941; and

WHEREAS, all requirements of law have been com-
plied with in calling and holding said special revenue bond
election and the Board of Directors of the District did duly
and regularly confirm the canvass of the returns of said
election and did by said confirmation determine and declare,
and does hereby certify, that said measure received at said
special revenue bond election the affirmative votes of a
majority of all the voters voting on said measure at said
election and said measure was thereby carried and adopted
by said election and the issuance of said water revenue

bonds by the District for the purpose described in said measure was duly authorized; and

WHEREAS, the District now owns and operates a public water system and the Board of Directors of the District has determined that the public interest and necessity demand the improvement of said water system as described in said measure;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Avila Beach County Water District as follows:

Section 1. Definitions. The terms hereinafter in this section defined shall, for all purposes of this Resolution and of any Supplemental Resolution and of the Bonds, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified:

(a) "Auditor" means the Auditor of the District.
(b) "Board" means the Board of Directors of the District or any other governing board of the District hereafter provided for pursuant to law.

(c) "Bonds" means the \$180,000 principal amount of Avila Beach County Water District 1977 Water Revenue Bonds authorized by and at any time outstanding pursuant to the provisions and subject to the limitations of this Resolution. "Bonds" also means any additional water revenue bonds (in addition to said \$180,000 principal amount of Bonds) hereafter authorized pursuant to the Law and at any time outstanding pursuant to the provisions and subject to the limitations of this Resolution. "Series A Bonds" means the \$120,500 principal amount of Avila Beach County Water District 1977 Water Revenue Bonds, Series A.

(d) "District" means the Avila Beach County Water District, of San Luis Obispo County, State of California.

(e) "Enterprise" means the whole and each and every part of the existing public water system of the District referred to in the measure set forth in Section 2 hereof to be improved with the proceeds of sale of the Bonds, and all facilities hereafter acquired or constructed for said water system, and all additions, betterments, extensions or improvements to said water system or any part thereof hereafter made.

(f) "Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30.

(g) "Law" means the Revenue Bond Law of 1941, being Title 5, Division 2, Part 1, Chapter 6 of the California Government Code.

(h) "Maintenance and operation costs of the Enterprise" means the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on sound accounting principles, including (among other things) the cost of buying or producing water, reasonable expenses of management, repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

(i) "Maximum Annual Debt Service" on the Bonds or any portion thereof means the maximum amount payable on

such Bonds in any Fiscal Year (beginning with the Fiscal Year in which such calculation is made and ending with the Fiscal Year in which the last of such Bonds by their terms mature) on account of interest plus serial maturities of principal of such Bonds.

(j) "Net Revenues" means all Revenues during any period with respect to which the term is used after deducting therefrom all maintenance and operation costs of the Enterprise during such period.

(k) "Paying Agent" means the principal office of Bank of America National Trust and Savings Association in San Francisco, California.

(l) "Resolution" means this Resolution.

(m) "Revenues" means all gross income and revenues of any kind, howsoever derived, from the funds, services and facilities of the Enterprise, including all fees, tolls, rates and other charges, and all gross revenues of all additions, betterments, extensions and improvements to the Enterprise hereafter acquired or constructed, together with any interest earned thereon, excepting all connection charges and refundable deposits made to establish credit.

(n) "Supplemental Resolution" means any resolution adopted by the Board amendatory of or supplemental to this Resolution, but only if and to the extent that such Supplemental Resolution is specifically authorized hereunder.

(o) "Treasurer" means the Treasurer of the County of San Luis Obispo.

(p) "Water service" means the water service furnished by the Enterprise.

Section 2. Due Authorization and Purpose of

Issue.

(a) The Board has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and does hereby find and determine that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds have existed, happened and been performed in due time, form and manner as required by law, and the District is now authorized, pursuant to each and every requirement of law, to issue the Bonds in the manner and form as in this Resolution provided.

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

MEASURE (C):	Shall Avila Beach County
(Water System	Water District issue revenue bonds in the principal amount of \$180,000 pursuant to the Revenue Bond Law of 1941 to provide funds for the acquisition and construction of improvements to the district water system, comprising water mains, hydrants and services and a water storage tank, together with pipes, pumps, machinery, lands, easements, rights-of-way and other works, properties or structures necessary or convenient for the acquisition and construction of improvements to the district water system?

(c) It is hereby found and determined that the District now owns and operates a public water system, that the improvements to said water system set forth in said measure will constitute an integral part of said water system and said water system shall be operated as a single unified and integrated water system, and that the revenues therefrom shall be pledged to the payment of the Bonds. It is

hereby found and determined that said improvements to said water system are necessary to enable the District to exercise its public powers and functions, namely, to furnish sufficient water service for present and future beneficial uses of the District. Accordingly, it is found and determined as follows:

(i) Said water system can be improved for the District from the funds to be available to the District as aforesaid;

(ii) Water service charges have been fixed and levied and can be collected upon the Enterprise for the water service;

(iii) Said water service charges, together with all other Revenues, shall constitute the Revenues of the Enterprise which shall be used for the payment of the principal of and interest on the Bonds and for the payment of the maintenance and operation costs of the Enterprise and otherwise as herein provided;

(iv) The Revenues of the Enterprise are hereby pledged to the payment of the principal of and interest on the Bonds as herein authorized; and

(v) All Revenues of the Enterprise received from and after the date hereof shall be accounted for through the Water System Revenue Fund provided for in Section 6(b) hereof.

(d) In consideration of the acceptance of the Bonds by those who shall hold the same from time to time,

this Resolution shall be deemed to be and shall constitute a contract between the District and the holders from time to time of the Bonds and interest coupons appertaining thereto; and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal and proportionate benefit, security and protection of all holders of the Bonds and interest coupons without preference, priority or distinction as to security or otherwise of any of the Bonds or interest coupons over any of the others by reason of the series, number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Section 3. The Bonds.

(a) The Bonds in the aggregate principal amount of One Hundred Eighty Thousand Dollars (\$180,000) are hereby authorized to be issued by the District under and subject to the terms of this Resolution. The Bonds shall be issued in such series as from time to time shall be established by the Board, subject to the covenants, provisions and conditions herein contained.

(b) An initial series of the Bonds, in the aggregate principal amount of One Hundred Twenty Thousand Five Hundred Dollars (\$120,500) at any one time outstanding, constituting the Series A Bonds, is hereby established. The Series A Bonds shall be dated May 1, 1977, and shall bear interest at the rate of five per cent (5%) per annum,

payable annually on May 1 of each year. Both the principal of and interest on the Series A Bonds shall be payable at the office of the Paying Agent in lawful money of the United States of America. The Series A Bonds shall be numbered consecutively upwards in order of maturity, shall be in the denomination of One Thousand Dollars (\$1,000) each (except the first numbered Series A Bond, which shall be in the denomination of Five Hundred Dollars (\$500)), and shall mature in consecutive numerical order, from lower to higher, as set forth in the following schedule:

<u>Principal Amount</u>	<u>Maturity Date (May 1) (both years inclusive)</u>
\$ 500	1979
1,000	1980 - 1987
2,000	1988 - 1994
3,000	1995 - 2001
4,000	2002 - 2008
5,000	2009 - 2013
6,000	2014 - 2017

Series A Bonds maturing by their terms on or prior to May 1, 1987 shall not be subject to redemption prior to their fixed maturity dates. Series A Bonds maturing by their terms on or after May 1, 1988 shall be subject to redemption prior to their fixed maturity dates, at the option of the District, on May 1, 1987, but not prior thereto, and on any interest payment date thereafter prior to maturity,

as a whole or in part in inverse numerical order, at the principal amount thereof and accrued interest thereon to the date of redemption.

Whenever funds are available for the call and redemption of any of the Series A Bonds then subject to call and redemption, the District shall determine the numbers of the Series A Bonds to be called and redeemed, and the date of redemption thereof. Notice of any such redemption shall be published by the District once a week for two successive weeks in a newspaper of general circulation printed and published in the City and County of San Francisco, State of California. The notice of redemption shall set forth the Series A Bond numbers and principal amount of the Series A Bonds so to be called and redeemed. Similar notices shall be mailed at the same time by the District to the respective registered owners of any Series A Bonds called for redemption at their addresses appearing on the registration books maintained by the Paying Agent; provided that such mailing shall not be a condition precedent to such redemption and failure to mail or receive any such notice shall not affect the validity of the proceedings for the redemption of such Series A Bonds. The first publication of such notice of redemption shall be not less than thirty (30) nor more than sixty (60) days prior to the date fixed for such redemption. After the date fixed for such redemption, if the District shall have duly published notice of such redemption and shall have provided the Paying Agent with funds available for payment of the principal and accrued interest on the Series A Bonds so called, interest on such Series A Bonds shall cease. All Series A Bonds and the

coupons attached thereto surrendered upon call for redemption shall be cancelled by the District and shall not be reissued.

(c) Except as otherwise provided in Section 3(d) of this Resolution, the Series A Bonds shall be issued as coupon bonds payable to bearer, shall be numbered A1 to A121, both inclusive, and shall bear interest from their date. The interest coupons attached to the Series A Bonds issued in coupon form shall be numbered in consecutive numerical order, and each such coupon shall represent twelve months' interest on the Series A Bond to which it is attached.

The Series A Bonds issued in coupon form and the interest coupons to be attached thereto shall be substantially in the following forms, to wit:

[FORM OF COUPON SERIES A BOND]

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

SAN LUIS OBISPO COUNTY

AVILA BEACH COUNTY WATER DISTRICT

1977 WATER REVENUE BOND, SERIES A

No. A _____ \$ _____

The AVILA BEACH COUNTY WATER DISTRICT, a county water district organized and existing under the Constitution and laws of the State of California (herein called the "District"), for value received hereby promises to pay (but only out of the Revenues hereinafter referred to) to the bearer hereof, or, if this bond be registered, to the registered owner hereof (subject to any right of prior redemption hereinafter reserved), on May 1, _____, the principal sum of _____ Dollars (\$ _____), together with interest thereon from the date hereof until the principal hereof shall have been paid, at the rate of five per cent (5%) per annum, payable annually on May 1 in each year. Unless this bond is registered, interest due on or before the maturity of this bond shall be payable only according to the tenor, and upon presentation and surrender, of the annexed interest coupons as they severally become due. Both the principal hereof and interest hereon are payable at the principal office of Bank of America National Trust and Savings Association in San Francisco, California, in lawful money of the United States of America.

This bond is one of a duly authorized issue of Avila Beach County Water District 1977 Water Revenue Bonds (herein called the "Bonds") of the series and designation indicated on the face hereof, which issue of Bonds is in the aggregate principal amount of One Hundred Eighty Thousand Dollars (\$180,000), consisting of one or more series of varying dates, maturities, interest rates and other provisions, all issued and to be issued pursuant to the Constitution and laws of the State of California, including the Revenue Bond Law of 1941 (herein called the "Law"), and pursuant to Resolution No. _____ adopted by the Board of Directors of the District on April 25, 1977 (herein called the "Resolution"), and the vote of the qualified voters of the District voting at a special election duly called and held for the purpose of authorizing the issuance of

the Bonds. Reference is hereby made to the Resolution, to any resolutions supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Resolution, and the rights of the holders and registered owners of the Bonds and of the bearers of the appurtenant coupons; and all the terms of the Resolution and the Law are hereby incorporated herein and constituted a contract between the District and the holder or registered owner from time to time of this Bond, and to all the provisions thereof the holder or registered owner of this Bond, by his acceptance hereof, consents and agrees. Each taker and subsequent holder hereof and of said coupons, whether said coupons are attached hereto or detached herefrom, shall have recourse to all of the provisions of the Law and the Resolution and shall be bound by all of the terms and conditions thereof.

Bonds maturing by their terms on or prior to May 1, 1987 are not subject to redemption prior to their fixed maturity dates. Bonds maturing by their terms on or after May 1, 1988 are subject to redemption prior to their fixed maturity dates, at the option of the District, on May 1, 1987, but not prior thereto, and on any interest payment date thereafter prior to maturity, as a whole or in part in inverse numerical order, at the principal amount thereof and accrued interest to date of redemption.

The Bonds are issued to provide funds for the improvement of an Enterprise, consisting of the public water system of the District, as more particularly described in the Resolution. The Bonds are special obligations of the District and are payable, as to the principal thereof and interest thereon, from the gross revenues of said Enterprise (which, as more particularly defined in the Resolution, are therein and herein called the "Revenues"). All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds. Additional water revenue bonds payable from the Revenues may be issued on a parity with the Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Resolution.

The principal of and interest on this Bond are payable solely from the Revenues, and the District is not obligated to pay it except from the Revenues. The general fund of the District is not liable, and the credit or taxing power of the District is not pledged for the payment of the Bonds or their interest. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the District or any of its income or receipts, except the Revenues.

The District covenants that, so long as any of the Bonds are outstanding, it will fix, prescribe and collect rates, fees and charges in connection with the services

and facilities furnished by said Enterprise so as to yield Revenues at least equal to the amounts thereof prescribed by the Resolution and sufficient to pay the principal of and interest on the Bonds in accordance with the provisions of the Resolution.

This Bond is negotiable and transferable by delivery unless registered as to principal and interest in the name of the holder in the manner provided by law and thereafter the principal hereof and interest hereon shall be payable only to the registered owner.

The rights and obligations of the District and of the holders and registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Resolution.

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

IN WITNESS WHEREOF, the Avila Beach County Water District has caused this Bond to be executed under its official seal, signed by the President of its Board of Directors and countersigned by the Secretary of its Board of Directors, and has caused the interest coupons attached hereto to be signed by said Secretary and this Bond to be dated May 1, 1977.

[SEAL]

Countersigned:

President of the Board of Directors
of Avila Beach County Water District

Secretary of the Board of Directors
of Avila Beach County Water District

[FORM OF COUPON]

Coupon No. _____

The AVILA BEACH

COUNTY WATER DISTRICT on

will (unless the within-mentioned bond be registered, and subject to any right of prior redemption reserved therein) pay to bearer at the principal office of Bank of America National Trust and Savings Association in San Francisco, California, the sum shown hereon in lawful money of the United States of America, being interest then due on its Avila Beach County Water District 1977 Water Revenue Bond, Series A, dated May 1, 1977,

May 1, _____

\$ _____

No. A _____

Secretary of the Board of Directors
of Avila Beach County Water District

(d) Notwithstanding anything to the contrary herein contained, the initial purchaser of the Series A Bonds may elect to receive, in lieu of coupon bonds as provided in Section 3(c), a single fully registered bond, maturing in installments, issued pursuant to this section. Such installment bond shall be numbered ARL, shall bear interest from its date of initial registration and delivery, and shall mature in installments in the years and amounts specified in Section 3(b) for the coupon bonds in lieu of which such installment bond is issued. The respective installments of principal of such installment bond shall be subject to redemption or prepayment prior to maturity to the extent, at the times, in the manner and at the prices set forth in Section 3(b) for the coupon bonds in lieu of which such

installment bond is issued, except that such installment bond need not be surrendered in the case of redemption in part, and except that no publication of notice of redemption shall be required and notice of redemption of any installment shall be sufficiently given if mailed to the registered owner thereof, at his address appearing upon the registration books maintained by the Paying Agent, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for such redemption.

Such installment bond may be transferred by the registered owner thereof and its transfer noted on the registration books maintained by the Paying Agent, but only if such transfer relates to the entire principal amount of such installment bond. The person in whose name such installment bond shall be registered shall be deemed the owner thereof for all purposes of this Resolution, and payment of or on account of the principal of or interest on such installment bond shall be made only to or upon the order in writing of such registered owner.

Such installment bond shall be exchangeable at any time after the first payment of interest thereunder at the expense of the District, upon ninety (90) days' notice given by the registered owner thereof and upon surrender of such installment bond at the office of the District, for coupon bonds in the form set forth in Section 3(c) in an aggregate principal amount equal to the unpaid principal amount of such installment bond. Such coupon bonds shall mature on the respective maturity dates of the unpaid installments

of principal as they become due on such installment bond, and shall have attached thereto coupons representing interest from the date to which interest has previously been paid on such installment bond. Such installment bond so surrendered shall be cancelled by the District and shall not be re-issued.

The Series A Bond issued as an installment bond shall be substantially in the following form, to wit:

[FORM OF INSTALLMENT SERIES A BOND]

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

SAN LUIS OBISPO COUNTY

AVILA BEACH COUNTY WATER DISTRICT

1977 WATER REVENUE BOND, SERIES A

No. ARL

\$120,500

The AVILA BEACH COUNTY WATER DISTRICT, a county water district organized and existing under the Constitution and laws of the State of California (herein called the "District"), for value received hereby promises to pay (but only out of the Revenues hereinafter referred to) to _____,

or registered assigns (subject to any right of prior redemption hereinafter reserved), the principal sum of One Hundred Twenty Thousand Five Hundred Dollars (\$120,500) on May 1 in the years and installments as follows:

Principal Amount	Maturity Date (May 1) (both years inclusive)
\$ 500	1979
1,000	1980 - 1987
2,000	1988 - 1994
3,000	1995 - 2001
4,000	2002 - 2008
5,000	2009 - 2013
6,000	2014 - 2017

together with interest on the unpaid balance hereof from the date of initial registration hereof (as set forth on the reverse hereof) until the principal hereof shall have been paid, at the rate of five per cent (5%) per annum, payable annually on May 1 in each year. Both the principal installments of and interest on this bond are payable in lawful money of the United States of America by warrant mailed by the principal office of Bank of America National Trust and Savings Association in San Francisco, California, to the registered owner at his address as it appears on the books of registration herein referred to; except that the final installment due on this bond shall be paid only upon surrender hereof.

This bond is one of a duly authorized issue of Avila Beach County Water District 1977 Water Revenue Bonds (herein called the "Bonds") of the series and designation indicated on the face hereof, which issue of Bonds is in the aggregate principal amount of One Hundred Eighty Thousand Dollars (\$180,000), consisting of one or more series of varying dates, maturities, interest rates and other provisions, all issued and to be issued pursuant to the Constitution and laws of the State of California, including the Revenue Bond Law of 1941 (herein called the "Law"), and pursuant to Resolution No. _____ adopted by the Board of Directors of the District on April 25, 1977 (herein called the "Resolution"), and the vote of the qualified voters of the District voting at a special election duly called and held for the purpose of authorizing the issuance of the Bonds. Reference is hereby made to the Resolution, to any resolutions supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Resolution, and the rights of the holders and registered owners of the Bonds and of the bearers of the appurtenant coupons; and all the terms of the Resolution and the Law are hereby incorporated herein and constituted a contract between the District and the holder or registered owner from time to time of this Bond, and to all the provisions thereof the holder or registered owner of this Bond, by his acceptance hereof, consents and agrees. Each taker and subsequent holder hereof shall have recourse to all of the provisions of the Law and the Resolution and shall be bound by all of the terms and conditions thereof.

In addition to the installments of principal required to be paid by the District as hereinabove set forth, the District shall have the right to prepay, on any interest payment date on or after May 1, 1987, the entire principal amount hereof then remaining unpaid, or such lesser portion thereof as it may determine in inverse chronological order of said installments and in multiples of One Thousand Dollars (\$1,000), at the principal amount of such prepayment plus accrued interest to the date of prepayment.

This Bond shall be registered as to principal and interest in an appropriate book at the principal office of Bank of America National Trust and Savings Association in San Francisco, California, and in the space provided on the back of this Bond. This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the office of said bank. No transfer of this Bond shall be valid until it has been duly entered in said book and duly noted in the appropriate space on the back of this Bond.

As provided in the Resolution, this Bond is exchangeable at the sole expense of the District at any time after the first payment of interest hereunder, upon ninety (90) days' notice, at the request of the registered owner

hereof and upon surrender of this Bond to the District at the office of the District, for negotiable coupon bonds, registrable only as to both principal and interest, in an aggregate principal amount equal to the unpaid principal amount of this Bond and maturing as the installments thereof are herein scheduled to be paid, and in the form of coupon bonds provided for in the Resolution.

The Bonds are issued to provide funds for the improvement of an Enterprise, consisting of the public water system of the District, as more particularly described in the Resolution. The Bonds are special obligations of the District and are payable, as to the principal thereof and interest thereon, from the gross revenues of said Enterprise (which, as more particularly defined in the Resolution, are therein and herein called the "Revenues"). All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds. Additional water revenue bonds payable from the Revenues may be issued on a parity with the Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Resolution.

The principal of and interest on this Bond are payable solely from the Revenues, and the District is not obligated to pay it except from the Revenues. The general fund of the District is not liable, and the credit or taxing power of the District is not pledged for the payment of the Bonds or their interest. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the District or any of its income or receipts, except the Revenues.

The District covenants that, so long as any of the Bonds are outstanding, it will fix, prescribe and collect rates, fees and charges in connection with the services and facilities furnished by the Enterprise so as to yield Revenues at least equal to the amounts thereof prescribed by the Resolution and sufficient to pay the principal of and interest on the Bonds in accordance with the provisions of the Resolution.

The rights and obligations of the District and of the holders and registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Resolution.

*This Bond is given as evidence of a loan to the District made by the United States of America pursuant to the Consolidated Farm and Rural Development Act, and shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

*This paragraph to be used only if the Bond is purchased by the Farmers Home Administration.

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

IN WITNESS WHEREOF, the Avila Beach County Water District has caused this Bond to be executed under its official seal, signed by the President of its Board of Directors and countersigned by the Secretary of its Board of Directors, and has caused this Bond to be dated May 1, 1977.

President of the Board of Directors
of Avila Beach County Water District

[SEAL]

Countersigned:

Secretary of the Board of Directors
of Avila Beach County Water District

[FORM OF REGISTRATION ENDORSEMENT FOR INSTALLMENT BOND]

<u>DATE OF REGISTRATION</u>	<u>NAME OF REGISTERED OWNER</u>	<u>SIGNATURE OF REPRESENTATIVE OF BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION</u>
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_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

[FORM OF ASSIGNMENT OF INSTALLMENT BOND]

For value received, _____
hereby assign_ and transfer_ unto _____
the within bond, together with accrued interest thereon,
hereby irrevocably constituting and appointing _____
_____ attorney to transfer said bond on the books
of the District at the principal office of Bank of America
National Trust and Savings Association in San Francisco,
California, with full power of substitution in the premises.

Dated: _____.

In the presence of: _____

(e) The Paying Agent shall maintain registration books showing the dates of initial registration and the names and addresses of the owners of the coupon Series A Bonds which are registered and of the installment Series A Bond. Ownership of any of such Series A Bonds may be transferred on such books by presentation of appropriate instruments of transfer by the registered owners or agents duly authorized in writing, together with such Series A Bonds, whereupon the Paying Agent shall record the names and addresses of the new registered owners on such books and on such Series A Bonds. The principal of and interest on the coupon Series A Bonds which are registered and on the installment Series A Bond shall be payable solely to the registered owners thereof.

(f) The President of the Board is hereby authorized and directed as such officer to sign each of the Series A Bonds and the Secretary of the Board is hereby authorized and directed to countersign each of the Series A Bonds and to impress or imprint by facsimile the official seal of the District thereon and to sign each of the interest coupons. The signature of said President may be a printed, lithographed or engraved facsimile signature, but said Secretary shall manually countersign each Series A Bond and shall sign each of the interest coupons by a printed, lithographed or engraved facsimile signature. In case any officer whose signature or countersignature appears on the Series A Bonds or coupons shall cease to be such officer before the delivery of the Series A Bonds to the purchaser, such signature or countersignature shall nevertheless be valid and sufficient for all purposes the same as though he had remained in office until the delivery of the Series A bonds.

Section 4. Application of Proceeds of Sale of Bonds.

Upon the receipt of payment for any of the Bonds when the same

shall have been duly sold by the District, the District shall set aside and deposit the proceeds received from such sale in the following respective funds and in the following order of priority:

(a) The District shall deposit with the Treasurer in the Bond Service Account provided for in Section 6(d) hereof all accrued interest received upon the sale of any of the Bonds.

(b) The remainder of the proceeds received from the sale of any of the Bonds (including any premium but excluding accrued interest from the date of the Bonds to the date of payment of the purchase price thereof) shall be deposited by the District in a special bank account in Bank of America National Trust and Savings Association, in San Luis Obispo, California, in an account which shall be known as the "Avila Beach County Water District 1977 Water System Improvements Construction Fund" (herein called the "Construction Fund"), which the District herein covenants and agrees to maintain. All moneys in the Construction Fund shall be withdrawn and applied exclusively for the purpose for which the Bonds were authorized to be issued. When such purpose has been accomplished, all moneys remaining in the Construction Fund shall be transferred to the Water System Revenue Fund provided for in Section 6(b) hereof.

Section 5. Security of Bonds.

(a) The Bonds shall be revenue bonds, payable exclusively from the Revenues as in this Resolution provided, and are not secured by the taxing power of the District.

No recourse shall be had for the payment of the Bonds, or interest thereon, or any part thereof, against the general fund of the District, nor shall the credit or taxing power of the District be deemed to be pledged thereto, and the holders of the Bonds shall never have the right to compel the exercise of the taxing power by the District or the forfeiture of any property of the District. The principal of and interest on the Bonds shall not be a debt of the District nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or upon any income, receipts or revenues of the District, except the Revenues pledged to the payment thereof as in this Resolution provided.

(b) The Bonds hereby authorized to be issued and all additional water revenue bonds which may be issued in accordance with the terms and conditions hereof shall be special obligations of the District and shall be secured by a pledge of and shall be a charge upon and shall be payable, as to principal thereof, interest thereon and any premiums upon the redemption of any thereof, solely from and secured by a lien upon the Revenues as hereinafter provided. The District hereby pledges and assigns for the security of all of the Bonds all of the Revenues, including the Revenues of all additions, betterments, extensions and improvements to the Enterprise which may hereafter be acquired or constructed. The sums required to meet the payment of principal of and interest on all the Bonds and any premiums upon the redemption of any thereof shall be secured by an exclusive pledge, charge and lien upon all of the Revenues and all of the Revenues, together with any interest earned thereon,

and the funds hereinafter provided for in Section 6 hereof and any other funds that may hereafter be created from the Revenues for the payment of principal of or interest on or the better securing of the payment of principal of or interest on the Bonds, shall constitute a trust fund for the security and payment of the principal of and interest on all of the Bonds and, except as otherwise specifically authorized by this Resolution, shall not be used for any other purpose so long as any of the Bonds or the interest thereon are outstanding or unpaid; except that out of such Revenues there may be apportioned, so long as the principal of and interest on all of the Bonds are paid as the same become due and payable, together with all other charges required for the protection or better securing of the Bonds, such sums for such purposes as are authorized and provided for in Sections 6(f) and 6(g) hereof.

(c) The Bonds and all additional water revenue bonds which may be issued in accordance with the terms and conditions hereof shall be equally secured (except as to maturity) without priority for number, date of Bonds, of sale, of execution, or of delivery, by said pledge, charge and lien upon the Revenues pursuant to the Law and this Resolution. Said pledge, charge and lien shall be prior and paramount to any and all other claims and obligations that may arise or be incurred against the Revenues.

Section 6. Revenues and Funds. For the purpose of making effective the lien of the Bonds provided for in Section 5 hereof, the District covenants and agrees with the holders of the Bonds as provided in this section.

(a) Collection and Deposit of Revenues. All

fees, tolls, rates and other charges in respect of the water service shall be collected by the District by bills of the District covering approximately monthly or bimonthly periods.

Each bill shall become delinquent on a date not later than thirty (30) days following the date of payment specified therein. If all or any part of any bill is not paid by the date of delinquency and within fifteen days thereafter, the District may discontinue all water service for which such bill was rendered.

(b) Revenue Fund. All Revenues shall be deposited when collected by the District with the Auditor in a separate fund to be designated as the "Avila Beach County Water District Water System Revenue Fund" (which fund is hereby created and is herein called the "Revenue Fund"), which said fund the District hereby covenants and agrees to cause to be established and maintained by the Auditor so long as any Bonds are outstanding hereunder.

(c) Deposit of Moneys in Revenue Fund. All moneys in the Revenue Fund shall be transferred and deposited by the Auditor in the following manner and order of priority in the following respective separate accounts, each of which the District hereby covenants and agrees to cause to be established and maintained by the Auditor or the Treasurer, as the case may be, so long as any Bonds are outstanding hereunder, and all such moneys shall be held in trust by the District and the Auditor and the Treasurer in such accounts and shall be applied, used and withdrawn only for the purposes hereinafter authorized.

(d) Bond Service Account. The Auditor shall, on or before the 10th day of each calendar month, transfer from the moneys in the Revenue Fund and deposit to the credit of a separate account designated as the "Avila Beach County Water District Water Revenue Bond Service Account" (which account is hereby created and is herein called the "Bond Service Account," to be held by the Treasurer) a pro rata monthly amount which, together with the funds available for payment of interest on the Bonds during construction of the improvements to be financed with the proceeds of the Bonds, will be sufficient to pay the next maturing installment of interest on the Bonds, and thereafter, on or before the 10th day of each calendar month, beginning in May, 1978, a monthly amount equal to one-twelfth of the next succeeding principal and interest payment on the Bonds until such time as the next maturing installment of principal of and interest on the Bonds has been fully paid or duly provided for. Moneys in the Bond Service Account shall be used and withdrawn by the Treasurer solely for transfer to the Paying Agent for the purpose of paying the principal of and interest on the Bonds as the same shall become due and payable.

(e) Bond Reserve Account. After making the monthly transfer required by Section 6(d) of this Resolution, the Auditor shall, on or before the 10th day of each calendar month, transfer from the remaining moneys in the Revenue Fund and deposit to the credit of a separate account designated as the "Avila Beach County Water District Water Revenue Bond Reserve Account" (which account is hereby created and is herein called the "Bond Reserve Account," to be held by the Treasurer), an amount which is equivalent to 10% of the

monthly deposit required for each corresponding month as provided in Section 6(d) of this Resolution, until such time as the funds and/or investments in the Bond Reserve Account shall aggregate a debt service reserve in the sum of \$10,000, and thereafter whenever the Bond Reserve Account is drawn upon the Auditor shall likewise, on or before the 10th day of each calendar month, transfer from the remaining moneys in the Revenue Fund and deposit to the credit of the Bond Reserve Account an amount which is equivalent to 10% of the aforesaid monthly deposits, until such time as such debt service reserve in the amount of \$10,000 shall have been restored; except that no payment need be made into the Bond Reserve Account when and if the amounts contained therein and in the Bond Service Account are at least equal to the principal of, together with interest then due or thereafter to become due, on all Bonds then outstanding.

In the event that on the 10th day of the calendar month next preceding any principal and interest payment date there shall be insufficient moneys in the Bond Service Account to pay either the principal of or interest due on such date on the Bonds, then the moneys in the Bond Reserve Account shall be used to make such payment. All moneys in the Bond Reserve Account shall be used and withdrawn solely for such purpose or for the retirement of all of the Bonds then outstanding.

(f) Maintenance and Operation Account. After making the monthly transfers required by Sections 6(d) and 6(e) of this Resolution, the Auditor shall, on or before the 10th day of each calendar month, transfer from the remaining moneys in the Revenue Fund and deposit to the

credit of a separate account designated as the "Avila Beach County Water District Water System Maintenance and Operation Account" (which account is hereby created and is herein called the "Maintenance and Operation Account," to be held by the Auditor), that amount of money which is needed for the payment of the budgeted maintenance and operation costs of the Enterprise during such calendar month, and all moneys in the Maintenance and Operation Account shall be paid out by the Auditor solely for such purpose.

(g) Surplus Account. After making the monthly transfers required by Sections 6(d) and 6(e) and 6(f) of this Resolution, the Auditor shall, on or before the 10th day of each calendar month, transfer all remaining moneys in the Revenue Fund and deposit them to the credit of a separate account designated as the "Avila Beach County Water District Water System Surplus Revenue Account" (which account is hereby created and is herein called the "Surplus Account," to be held by the Auditor). All moneys on deposit in the Surplus Account may be withdrawn and used by the District for any one or all of the following purposes:

(i) To pay any reasonable and necessary maintenance and operation costs of the Enterprise for the current Fiscal Year for which no adequate budget amount was provided by the District;

(ii) To purchase and cancel any of the outstanding Bonds;

(iii) To meet debt service requirements on any indebtedness created to pay the costs of the acquisition or construction of additions, betterments, extensions or improvements to the Enterprise;

(iv) To pay the cost of any unusual or extraordinary repairs or replacements of the Enterprise or to make any additions, betterments, extensions or improvements to the Enterprise which will either enhance its revenue-producing capacity or provide a higher degree of service;

(v) To maintain the required debt service reserve of \$10,000 by transferring to the Bond Reserve Account such amounts as may be necessary to eliminate any deficiency in such account; or

(vi) To make any other lawful expenditure of the District.

The District shall not make any withdrawal of any moneys in either the Maintenance and Operation Account or in the Surplus Account if and when the District is in default hereunder; and the Auditor shall not permit any withdrawal to be made by the District of any moneys in either the Maintenance and Operation Account or in the Surplus Account if and when, to the knowledge of the Auditor, the District is in default hereunder.

Section 7. Covenants of the District. In order that the payment of the Bonds and interest thereon shall be adequately secured, the District covenants and agrees with the holders of the Bonds:

(a) The District will pay or cause to be paid punctually the principal of the Bonds, and the interest thereon, on the date or dates and at the place in accordance with this Resolution.

(b) The District will commence the improvements of the Enterprise to be financed with the proceeds of the Bonds and continue the same to completion with all practical

dispatch, and in a sound and economical manner, and will operate the Enterprise in an efficient and economical manner and will keep and maintain the Enterprise in good repair and operating condition from the Revenues available for such purposes as provided herein, and will operate the business in connection therewith in an efficient manner and at a reasonable cost, and will prescribe, revise and collect such fees, tolls, rates and other charges in connection therewith so that the water service is furnished to the inhabitants of the District and other users at the lowest possible cost consistent with sound economy and prudent management and the security and payment of the principal of and interest on the Bonds.

(c) The District will fix fees, tolls, rates and other charges for the water service so as to yield Revenues at least sufficient with respect to the then immediately ensuing twelve months' period, after making due and reasonable allowances for contingencies and errors in the estimates, to pay each and all of the following charges in the respective priority and order below set forth, to wit:

(i) The principal of and interest on the Bonds as they become due and payable;

(ii) All maintenance and operation costs of the Enterprise;

(iii) All payments required for compliance in all respects with the terms of this Resolution, including particularly the provisions of Section 6 hereof; and

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

(d) The District will preserve and protect the security of the Bonds and the rights of the holders thereof, and will warrant and defend such rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the District, such Bonds and coupons appertaining thereto shall be incontestable by the District.

(e) The District will pay and discharge, or cause to be paid or discharged, any and all lawful claims for labor, materials, and supplies, which if unpaid might by law become a lien or charge upon the Revenues or any part of the Revenues prior to or superior to the lien of the Bonds, or which might impair the security of the Bonds, to the end that the priority and security of the Bonds shall be fully preserved and protected.

(f) The District will collect and hold in trust the Revenues or other funds pledged to the payment of the principal of and interest on the Bonds for the benefit of the holders of the Bonds and will pay the same over to the Auditor and the Treasurer as herein provided and will apply such Revenues or other funds only as provided by this Resolution, or, if this Resolution shall hereafter be modified in the manner provided herein, only as provided in this Resolution as modified.

(g) The District will keep accurate financial records and proper books relating to the Enterprise (separate from all other records and accounts of the District) in which complete and correct entries shall be made of all transactions relating to the Enterprise or any part thereof, and which, together with all other books and records of the District, shall at all times during business hours be subject to the inspection of the holders of the Bonds and their agents and representatives.

(h) The District will, not later than 90 days after the end of each Fiscal Year, furnish to any bondholder who shall request the same in writing copies of audit reports prepared by an independent public accountant reflecting in reasonable detail the financial condition and record of operation of the District and the Enterprise.

(i) The District will not mortgage or otherwise encumber, pledge or place any charge upon the Enterprise or any of the Revenues, and will not sell, lease or otherwise dispose of the Enterprise or any part thereof necessary to its operation or use or necessary to the maintenance of the Revenues, or enter into any lease or agreement which impairs or impedes the operation of the Enterprise or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the Bonds, or which otherwise would impair the rights of the holders of the Bonds with respect to such Revenues or the operation of the Enterprise.

(j) The District will at all times maintain with responsible insurers for the benefit of the holders of the Bonds insurance on the Enterprise, which shall be adequate in amount and as to the risks insured against, including insurance against accident to or destruction of the Enterprise or any part thereof, against such risks as are usually insurable in connection with similar enterprises. In the event of any loss or damage the District shall repair or reconstruct the damage to any portion of the Enterprise and shall apply to payment of the cost of such repair or reconstruction the proceeds of insurance covering such loss or damage as herein provided. The District shall begin such work of repair or reconstruction promptly after such loss or damage shall occur

and shall continue and properly complete the same as expeditiously as possible and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the cost of such repair or reconstruction, the excess shall be deposited by the District in the Revenue Fund and shall be used and withdrawn only for the purposes specified in Section 6 hereof. The District will also carry for the benefit of the holders of the Bonds a fidelity bond with respect to each officer and employee of the District who receives, collects, or has in his care or custody any of the proceeds of sale of the Bonds or any funds of the Enterprise, each such fidelity bond to be in an amount at least equal to the total moneys at any one time in the custody of such officer or employee.

(k) The District will pay and discharge or cause to be paid and discharged all taxes and assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or upon any part thereof or upon any Revenues therefrom, when the same shall become due; and the District will duly observe and conform to all valid requirements of any governmental authority relative to the Enterprise or any part thereof.

(l) The District will have in effect at all times an ordinance of the District establishing rates, charges, rules and regulations relating to the water service, including provision for no free service, and requiring every person whose premises are connected to the Enterprise to pay the

fees, tolls, rates and other charges applicable to the water service furnished to such premises. Said ordinance will provide that any person connecting to the Enterprise shall pay all costs of such connection.

(m) The District will not acquire, construct, operate or maintain, and will not within the scope of its powers permit any other public or private corporation, political subdivision, district or agency or any person whatsoever to acquire, construct, operate or maintain, within the District or any part thereof, any system or utility competitive with the Enterprise.

(n) The District will not permit any part of the Enterprise, or any facility thereof, to be used or taken advantage of, free of charge, by any person, firm or corporation, or by any public agency (including the State of California, the United States of America, or any public corporation, political subdivision, city, county, district, or agency of any thereof and the District or any agency of the District).

None of the foregoing covenants, agreements or duties shall be construed to require the expenditure in any manner or for any purpose by the District of any funds other than Revenues received or receivable from the Enterprise.

Section 8. Additional Series of Bonds and Additional Water Revenue Bonds. The District covenants and agrees with the holders of the Series A Bonds that additional series of the Bonds and additional water revenue bonds having a lien upon and payable from Revenues (including all Revenues from any additions, betterments, extensions or improvements to the Enterprise) may be issued upon a parity with the Series A

Bonds, but only as provided in this section and only for the purpose of acquiring or constructing additions, betterments, extensions or improvements to the Enterprise, or for the purpose of refunding any of the Bonds, or for any combination of such purposes, and subject to the following conditions:

(a) The District shall not at the time of the issue of such additional series of Bonds or such additional water revenue bonds be in default under this Resolution or under any Supplemental Resolution providing for the issuance of an additional series of Bonds or additional water revenue bonds;

(b) The issuance of such additional series of Bonds or such additional water revenue bonds shall have been duly authorized pursuant to the Law;

(c) The issuance of such additional series of Bonds or such additional water revenue bonds shall be provided for by a Supplemental Resolution duly adopted by the Board, the last maturity date of such additional series of Bonds or such additional water revenue bonds shall not be earlier than the last maturity date of the outstanding Bonds and such additional series of Bonds or such additional water revenue bonds shall mature on the anniversary date of the Bonds;

(d) The Net Revenues of the Enterprise for the last recorded twelve consecutive calendar months next preceding the date of the adoption by the Board of the Supplemental Resolution authorizing the issuance of such additional series of Bonds or such additional water revenue bonds, as shown by a certificate of an independent public accountant, plus the estimated amount of the increase in Net Revenues for the first full twelve-month period in which the proposed additions, betterments, extensions or improvements to the Enterprise will be in operation, as

shown by an opinion of an independent recognized consulting engineer, are at least equal to 1.2 times the Maximum Annual Debt Service on all of the Bonds then outstanding and on such additional series of Bonds or such additional water revenue bonds proposed to be issued.

In the event that any additional series of Bonds or additional water revenue bonds are to be issued for the purpose of refunding and retiring only a portion of the Bonds then outstanding, then for the purpose of the calculation required under preceding paragraph (d), the Maximum Annual Debt Service on the outstanding Bonds and on such additional series of Bonds or additional water revenue bonds shall be determined as if said portion of the Bonds so to be refunded or retired is no longer outstanding; provided that nothing in this Resolution contained shall limit or restrict the issuance of any additional series of Bonds or additional water revenue bonds if, at or before the issuance and delivery of such series of Bonds or such additional bonds, all Bonds theretofore issued will no longer be outstanding.

Section 9. Further Assurances. The District will from time to time adopt such further resolutions and make, execute, deliver and record such further instruments and assurances as may now or hereafter be authorized by law, or as may reasonably be required to comply with the terms and provisions of this Resolution in order to assure to the holders of the Bonds the rights and benefits herein provided for them.

Section 10. Eminent Domain Proceedings. If all or any part of the Enterprise shall be taken by eminent domain proceedings or other proceedings authorized by law, the net proceeds realized by the District therefrom shall be deposited by the District in a special fund with the Treasurer, in trust

for the exclusive benefit of the holders of all Bonds then outstanding, subject to the following conditions:

(a) If such funds are sufficient to provide for the payment of the entire amount of principal due and to become due upon all Bonds then outstanding (either at maturity or upon the earliest call for redemption), together with interest thereon, then such funds shall be applied by the District to the payment of the principal of and interest on the Bonds as the same become due (either at maturity or upon the earliest call for redemption).

(b) If such funds are insufficient to provide for the purpose in subparagraph (a) of this section, then such funds shall be applied by the District pro rata first to the payment of the principal of the Bonds, and then to the payment of the interest thereon, and the holders of all outstanding Bonds shall be entitled to share in such funds equally and ratably in the proportion which the principal amount of the Bonds owned by each holder bears to the total principal amount of all the Bonds then outstanding, without preference or priority of any one Bond over any other Bond, and irrespective of any registration of such Bond for nonpayment or otherwise as provided by law, so that all of the Bonds shall be deemed under such circumstances to be on a parity and entitled to share in such proceeds on the basis of absolute equality. No such pro rata sharing shall impair the right of the holder of any Bond, which is absolute, to receive payment in full of the principal of and interest on all of the Bonds held by him from any source of payment or from any funds which may then or thereafter be available for such payment by the District.

Notwithstanding anything herein contained, if such eminent domain proceedings do not substantially impair or affect the operation of the Enterprise or the ability

of the District to meet all of its obligations hereunder with respect to the payment of the principal of and interest on the Bonds, then the Board may by resolution so determine and declare (which determination shall be final and conclusive), whereupon such net proceeds realized by the District shall be considered to be and treated as Revenues hereunder.

Section 11. Default; Remedies of Bondholders.

(a) If one or more of the following events (herein called "events of default") shall happen, to wit:

(i) If default shall be made in the due and punctual payment of the principal of any of the Bonds when and as the same shall become due and payable;

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

(iii) If default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in this Resolution or in the Bonds contained, and such default shall have continued for a period of thirty (30) days; or

(iv) If the District shall file a petition or answer seeking reorganization or arrangement under the Federal Bankruptcy Laws or any other applicable law or statute of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the Federal Bankruptcy Laws or any other applicable

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

then and in each and every such case the holders of twenty-five per cent (25%) of all of the Bonds then outstanding shall be entitled, upon notice in writing to the District, to declare the entire principal of the Bonds and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Resolution or in the Bonds contained to the contrary notwithstanding.

All of the Revenues of the Enterprise, including all sums in all of the funds and accounts provided for in Section 6 hereof upon the date of the happening of any event of default, and all sums thereafter received by the District hereunder shall be applied by the District and the Auditor and the Treasurer in the order following:

First, to the payment of the costs and expenses of the bondholders in declaring such event of default, including reasonable compensation to their agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, ratably to the aggregate of such principal

and interest.

(b) Any holder of Bonds shall have the right, for the equal benefit and protection of all holders of Bonds similarly situated:

(i) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District, the Board, and any officers, agents and employees of the District, and to require and compel the District, the Board, or any such officers, agents or employees, to perform and carry out their duties under the Law and their agreements with bondholders as provided in this Resolution;

(ii) By suit in equity to require the District and the Board to account as if they were the trustee of an express trust; or

(iii) By suit in equity to enjoin any acts or things which may be unlawful or violate the rights of the bondholders.

Except only as provided in Section 12 hereof, nothing in this Resolution, or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective holders of the Bonds at the respective dates of maturity, as herein provided and out of the Revenues herein pledged for such payment, or affect or impair the right of action of such holders, which is also absolute and unconditional, to institute suit to

enforce such payment by virtue of the contract embodied in the Bonds.

The remedies conferred hereby and by the Law upon the holders of the Bonds do not exclude any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred hereby or by the Law or by any other law. A waiver of any default or breach of duty or contract by the bondholder shall not extend to or affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach. The delay or omission of the bondholder to exercise any right or power accruing upon any default shall not impair any such right or power and shall not be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the bondholder may be enforced and exercised as often as is deemed expedient. If any suit, action, or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the bondholder, then, and in every such case, the District and such bondholder shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 12. Amendment of Bonds and Resolution.

All of the provisions of this Resolution shall constitute a contract between the District and the holders of the Bonds hereby authorized, and from and after the sale and delivery of any of the Bonds, no amendment, alteration or modification of the Bonds or the coupons appertaining thereto or of this Resolution shall be made which shall in any manner impair,

impede or lessen the rights of the holders of the Bonds or the coupons appertaining thereto then outstanding, except by a Supplemental Resolution approved by the prior written consent of the holders of seventy-five per cent (75%) of all of the Bonds then outstanding; except that no such amendment shall affect the interest rate or maturity date of any Bonds without the consent of the owners thereof.

Section 13. Discharge of Resolution. Whenever the Bonds and all interest then accrued thereon shall have been fully paid and discharged, or provision adequate therefor shall have been made, the agreements in this Resolution contained shall cease and determine and the District shall be under no further obligation to apply the Revenues of the Enterprise as herein required, or otherwise to do or perform any of the covenants, conditions or agreements in this Resolution contained.

Section 14. Partial Invalidity. If any section, paragraph, subdivision, sentence, clause or phrase of this Resolution shall for any reason be adjudged by any court of competent jurisdiction to be unconstitutional, unenforceable or invalid, such judgment shall not affect the validity of the remaining portions of this Resolution. The Board hereby declares that it would have adopted this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof to any person or circumstance, may be held to be unconstitutional, unenforceable or invalid.

Section 15. Effective Date of Resolution.

This Resolution shall be forthwith entered upon the minutes of the Board and shall take effect immediately upon adoption.

PASSED AND ADOPTED by the Board of Directors of the Avila Beach County Water District this 25th day of April, 1977 by the following vote:

AYES: *Ellis, Ruffin, Phelan, Meschman*

NOES: *None*

ABSENT: *Reichman*

Marshall P. Ellis
President of the Board of Directors
of Avila Beach County Water District

[SEAL]

ATTEST:

Carole Fisher
Secretary of the Board of Directors
of Avila Beach County Water District