

WATER SUPPLY AGREEMENT

Dated as of August 1, 1991

By and Between

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1

and

CITY OF SOLVANG

TABLE OF CONTENTS

| <u>SECTION</u> | <u>TITLE</u> | <u>PAGE</u> |
|----------------|---|-------------|
| Section 1. | Definitions..... | 2 |
| Section 2. | Purpose..... | 7 |
| Section 3. | Construction and Operation..... | 8 |
| Section 4. | Delivery of Water From the State Water Project..... | 8 |
| Section 5. | Rates and Charges..... | 10 |
| Section 6. | Measurement of Water Delivered..... | 11 |
| Section 7. | No District Responsibility for Delivery and Distribution of Water by City..... | 11 |
| Section 8. | Curtailment of Delivery for Maintenance Purposes..... | 11 |
| Section 9. | Area Served By City..... | 11 |
| Section 10. | Shortage In Water Supply..... | 12 |
| Section 11. | Annual Budget and Billing Statement..... | 12 |
| Section 12. | Time and Method of Payment..... | 12 |
| Section 13. | Obligation in the Event of Default..... | 14 |
| Section 14. | Covenants of the City..... | 16 |
| Section 15. | Covenants of the District..... | 19 |
| Section 16. | Term..... | 20 |
| Section 17. | Assignment..... | 21 |
| Section 18. | Termination and Amendments..... | 21 |
| Section 19. | Effectiveness of this Agreement..... | 22 |
| Section 20. | Miscellaneous..... | 22 |

EXHIBITS

| | | |
|------------|---|-----|
| Exhibit A. | Schedule of Project Participants and Project Percentages..... | A-1 |
| Exhibit B. | Form of Opinion of Counsel to City..... | B-1 |
| Exhibit C. | Form of Opinion of District Counsel..... | C-1 |
| Exhibit D. | List of notes, bonds or other obligations of the City as of date of execution to which City Water System Revenues are pledged..... | D-1 |

WATER SUPPLY AGREEMENT

This Agreement, dated as of August 1, 1991, by and between the Santa Ynez River Water Conservation District, Improvement District No. 1 (the "District"), an improvement district of a water conservation district duly organized and existing pursuant to the Water Conservation District Act, commencing with Water Code Section 74,000 et. seq. and the City of Solvang (the "City"), a municipal corporation duly organized and existing pursuant to the Constitution and laws of the State of California.

WITNESSETH:

WHEREAS, the District and certain other water purveyors in Santa Barbara County have contractual rights to receive water from the State Water Project pursuant to the terms of the State Water Project Contract and Water Supply Retention Agreements (capitalized terms used herein and not otherwise defined shall have the meanings set forth below);

WHEREAS, in order for the District to utilize such water rights, certain facilities, including the Project, must be constructed;

WHEREAS, on June 4, 1991, the voters within the boundaries of the District authorized the District to issue, or cause to be issued by a joint powers agency in which the District is a member, not to exceed \$18,400,000 aggregate principal amount of revenue bonds to finance the District's share of the acquisition and construction of the Project; and

WHEREAS, the District, together with other Project Participants, have determined that it would be in their best interest to create a joint exercise of powers agency to jointly undertake environmental reviews and to jointly finance, construct and operate the Project and to this end the District entered into a Joint Exercise of Powers Agreement - Central Coast Water Authority ("Authority"), dated as of August 1, 1991;

WHEREAS, the District has entered into a Water Supply Agreement, dated as of August 1, 1991, with the Authority;

WHEREAS, the District and the City now wish to enter into this Agreement to provide for the sale by the District to the City of the City's Project Percentage of the District's Project Allotment under the Water Supply Agreement and certain other matters;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions.

The following terms shall, for all purposes of this Agreement have the following set forth below. Capitalized terms used herein and not defined herein shall have meanings ascribed to such terms in the Water Supply Agreement.

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

"Authority Bonds" means bonds, notes or other evidences of indebtedness of the Authority issued to finance or refinance the Project and includes additional Authority Bonds to complete the Project.

"Authorized Representative" when used with respect to the District means the General Manager or any other officer or employee of the District authorized to perform the specific acts or duties to be performed by resolution duly adopted by the District, and when used with respect to the City means the City Manager or any other officer or employee of the City authorized by resolution of the City to perform the specific acts or duties to be performed by the City.

"Bonds" mean all bonds, notes or similar obligations (but not including Contracts) of the City authorized and issued by the City under and pursuant to applicable laws of the State after the date of execution of this Agreement, the principal of and interest on which are secured by a pledge on a lien on City Net Water System Revenues and which are on a parity with the obligations of the City under this Agreement.

"Bond Resolution" means the resolution or resolutions providing for the issuance of Authority Bonds and the terms thereof.

"CEQA" means the California Environmental Quality Act, Public Resources Code Section 21000 et seq. and the guidelines promulgated thereunder.

"City" shall have the meaning assigned thereto in the preamble hereto.

"City Net Water System Revenues" means, for any Fiscal Year, the City Water System Revenues for such Fiscal Year less the City Operation and Maintenance Expenses for such Fiscal Year.

"City Operation and Maintenance Expenses" means the costs spent or incurred by the City for maintaining and operating the City Water System, calculated in accordance with generally accepted accounting principles, including (among other things) the expenses of management and repair and other expenses necessary to maintain and preserve the City Water System, in good repair and working order, and including administrative costs of the City, salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and all other reasonable and necessary costs of the City, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the City Water System, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (iv) charges for the payment or principal and interest on City Prior Debt, Bonds or Contracts.

"City Prior Debt" means notes, bonds or other obligations of the City existing prior to the date of execution hereof, which are identified in Exhibit D hereto and which are payable from City Water System Revenues.

"City Water System" means all properties and assets, real and personal, tangible and intangible, of the City now or hereafter existing, used or pertaining to the acquisition, treatment, reclamation, transmission, distribution and sale of water, including all additions, extensions, expansions, improvements and betterments thereto and equipment relating thereto; provided, however, that to the extent the City is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the City's ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the City Water System.

"City Water System Revenues" means all income, rents, rates, fees, charges, and other moneys derived by the City from the ownership or operation of City Water System after the date of execution of this Agreement, including, without limiting the generality of the foregoing, all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities, and commodities sold, furnished, or supplied through the facilities of City Water System, including standby and availability charges and development fees allocable to the City Water

System, and the earnings on and income derived from such amounts, and shall not include customers' deposits or any other deposits subject to refund until such deposits have become the property of the City.

"Contract Payments" means the City's Project Percentage of Fixed Project Costs, Fixed O&M Costs and the Variable O&M Costs payable by the District under the Water Supply Agreement and provided that the term Contract Payments shall also include for any Fiscal Year, the sum of:

(1) the interest accruing during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds),

(2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the preceding twelve (12) calendar month period preceding the first principal payment date, as the case may be,

(3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the Year preceding the first redemption date, as the case may be, and

(4) that portion of Contract Payments under Contracts (other than under this Agreement) required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Contract Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Contract Payment date of interest or principal or the date of the pertinent Contract, as the case may be.

"Contracts" means this Agreement and all contracts of the City authorized and executed by the City under and pursuant to the applicable laws of the State after the date of execution of this Agreement, the payments under which are secured by a pledge of and lien on the City Net Water System Revenues and

which are on a parity with the obligations of the City under this Agreement.

"District" shall have the meaning assigned thereto in the preamble hereto.

"Fiscal Year" means the twelve month period commencing on July 1 of each Year and ending on the following June 30 or such other twelve month period which may be designated by the District or the City as its Fiscal Year, as the case may be.

"Fixed Project Costs" shall have the meaning ascribed thereto in the Water Supply Agreement, and shall include all Fixed Operating Costs paid by the District in accordance with subsection (d) of Section 16 of the Water Supply Agreement.

"Fixed O&M Costs" shall have the meaning ascribed thereto in the Water Supply Agreement, and shall include all Fixed O&M Costs paid by the District in accordance with subsection (d) of Section 16 of the Water Supply Agreement.

"Independent Certified Public Accountant" means any firm of certified public accountants appointed by the City, or the District, as the case may be, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Initial Operation Date" means the first date when the Project is available to provide water service to the District, as shall be determined by the Board of Directors of the District in accordance with prudent utility practices.

"Net Proceeds" means, when used with respect to any insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

"Project" means the Mission Hills and Santa Ynez Extensions to the Coastal Aqueduct of the State Water Project, including the following: (i) a pipeline from the terminus of the Coastal Aqueduct of the State Water Project to the Mission Hills area of Santa Barbara County; (ii) a pumping plant in the Santa Maria / Casmalia area of Santa Barbara County; (iii) a pipeline from the Santa Maria / Casmalia pumping plant to the vicinity of Lake Cachuma in the upper Santa Ynez Valley area of Santa Barbara County, including any facilities in the vicinity to Lake Cachuma necessary to deliver water to or through Lake Cachuma and the Tecolote Tunnel; (iv) a pumping plant in the Solvang/Santa Ynez area of Santa Barbara County, (v) turnout.

and metering facilities; (vi) the Treatment Plant; and (vii) all other associated facilities, rights, properties, electrical facilities and improvements appurtenant thereto as provided and necessary therefor, as the definition thereof may be amended in accordance with the Water Supply Agreement. The portions of the Project described in phrases (i) and (ii) of this definition are referred to herein as a "Reach" of the project.

"Project Allotment" means 2000 acre-feet of water unless such Project Allotment is reduced in accordance with the Water Supply Agreement.

"Project Percentage" means the percentage set forth in Exhibit A hereto opposite the names of the District and the City.

"Project Participant" mean the District and each entity executing a Water Supply Agreement with the Authority.

"Report" means a written report signed by an Authorized Representative of the City setting forth the amount of water desired by the City during each month of the succeeding six Years.

"Request" means with respect to the City, a written certificate of an Authorized Representative of the City specifying the portion of the City's Project Percentage of the District's Project Allotment which the City requests be delivered by the District to the City in each month of a Year in accordance with Section 4 hereof.

"State" means the State of California, including applicable departments and agencies thereof.

"State Water Project" means those portions of the State Water Resources Development System (as defined in Section 12931 of the California Water Code) which provide water to the District pursuant to the State Water Supply Contract.

"State Water Resources Control Board" means the Water Resources Control Board of the State of California, and any successor thereto.

"State Water Supply Contract" means the Water Supply Contract between the State of California Department of Water Resources and the Santa Barbara County Flood Control and Water Conservation District, dated February 26, 1963, as amended to the date hereof and as such may be amended and supplemented from time to time, the rights and obligations under which have been assigned by the Santa Barbara County Flood Control and Water Conservation District to certain water purveyors in Santa Barbara County, including the City, pursuant to the terms of

Water Supply Retention Agreements, and which rights and obligations have been assigned by the City to the District pursuant to the terms of the Water Supply Agreement, and as the same has been amended and supplemented in accordance with its terms to the date hereof.

"Trustee" means the entity or entities designated by the District pursuant to any Bond Resolution to administer any funds or accounts required by such Bond Resolution or otherwise.

"Variable O&M Costs" shall have the meaning assigned thereto in the Water Supply Agreement, and shall include all Variable O&M Costs paid by the District in accordance with subsection (d) of Section 16 of the Water Supply Agreement.

"Water Service" means the water distribution service made available or provided by the City Water System.

"Water Supply Agreement" means the Water Supply Agreement, dated as of August 1, 1991, by and between the District and the Authority and each Water Supply Agreement by and between the Authority and a Project Participant, as the same may be amended or supplemented from time to time.

"Water Supply Retention Agreement" means each of the Water Supply Retention Agreements between the Santa Barbara County Flood Control and Water Conservation District and certain water purveyors in Santa Barbara County, including the District and each Project Participant.

"Year" means the twelve-month period from January 1, through December 31, both dates inclusive.

"Year of Initial Water Delivery" means the Year when Project water will first be available for delivery to the District pursuant to the Water Supply Agreement.

Section 2. Purpose.

The purpose of this Agreement is, upon compliance with necessary federal and state laws, including but not limited to CEQA, to sell a portion of the District's Project Allotment available from the Project to the City and to provide the terms and conditions of such delivery and sale. The City acknowledges that the rights to water available to the District pursuant to the State Water Supply Contract, the Water Supply Retention Agreements and the Water Supply Agreement are subject to the terms of the State Water Supply Contract, the Water Supply Retention Agreement and the Water Supply Agreement which includes the limitation that such supply of water is

interruptible in accordance with the State Water Supply Contract.

Section 3. Construction and Operation.

Subject to compliance with all necessary federal and state laws, including but not limited to CEQA, the District will use its best efforts to cause or accomplish the construction, operation and financing of the Project, the obtaining of all necessary authority and rights, and the performance of all things necessary and convenient therefor, all in accordance with the Water Supply Agreement.

Section 4. Delivery of Water From the State Water Project.

(a) Request by City. Pursuant to the terms of this Agreement, the District shall provide to the City, and the City shall take, or cause to be taken, in each Year an amount of water equal to the amount set forth in a Request of the City, but in no event shall the City request nor shall the District be obligated to deliver an amount of water in excess of the City's Project Percentage of its Project Allotment.

(b) Maximum Project Allotment. Under the Water Supply Agreement, the District is entitled to an amount of water from the State Water Project equal to the District's Project Allotment and, pursuant to the terms of this Agreement, the District shall make available to the City its Project Percentage of the District's Project Allotment, subject to the availability of water and the interruption of water supply by the State in accordance with the State Water Supply Contract and the Authority in accordance with the Water Supply Agreement.

(c) Points of Delivery. The District will do all things necessary and possible under the Water Supply Agreement to deliver or cause to be delivered to or for the account of the City, from water received by the District from the State Water Project, the amount of water specified in each request at a point along the Project to be agreed upon by the District and the City. The District will remain available to make or cause to be made all necessary and possible arrangements under the Water Supply Agreement for transmission and delivery of such water in accordance with this Agreement.

(d) Procedure for Determining Water Delivery Schedule. The amounts, times and rates of delivery of water to the City during any Year shall be in accordance with a water delivery schedule for that Year, such schedule to be determined in the following manner:

(1) On or before the date which is six weeks prior to the date the Authority must submit water delivery schedules to the State under the State Water Supply Contract, the City shall submit in writing to the District a preliminary water delivery schedule (subject to the provisions of the State Water Supply Contract) indicating the amounts of water desired by the City during each month of the succeeding six (6) Years or such lesser or greater period as the District shall be required under the Water Supply Agreement to submit the District's preliminary water delivery schedule.

(2) Upon receipt of a preliminary schedule the District shall review it and, after consultation with the City, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the City and the District will be consistent with the Authority's overall delivery ability pursuant to the State Water Supply Contract and the Water Supply Agreements, considering the then current delivery schedules of all Project Participants. Each Year, within 15 business days following receipt by the District of the Authority's water delivery schedule for the next succeeding Year, the District shall deliver a copy of such schedule to the City.

(3) To the extent the District may amend its water delivery schedule under the Water Supply Agreement, the District will amend its water delivery schedule with respect to the City's Project Percentage of the District's Project Allotment upon the City's written request. Proposed amendments shall be submitted by the City within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the District in like manner as the schedule itself.

(e) Limit on Peak Deliveries of Water. In no event shall the District be obligated to deliver to the City from the Project in any one month of any Year a total amount of water greater than the City's Project Percentage multiplied by the Project Allotment multiplied by the percentage of water which the District is authorized to receive in any one month of any Year under the Water Supply Agreement and the State Water Supply Contract.

(f) Limit on Rate of Delivery to City. In no event shall the District be obligated to deliver water to the City through any delivery structure at a total combined instantaneous rate of flow exceeding the cubic feet per second which is determined upon the date of the Initial Operation Date, except as this rate of flow may be revised by amendment of this Section by mutual agreement of the District and the City.

Section 5. Rates and Charges.

(a) Establishment of Rates and Charges. On and after the effective date of this Section, the District shall fix charges to the City under this Agreement equal to the City's Project Percentage of the amounts anticipated to be needed by the District to meet the costs of the District under the Water Supply Agreement, including but not limited to (i) Fixed Project Costs, (ii) Fixed O&M Costs, and (iii) Variable O&M Costs.

(b) Insufficiency of Funds. Because the funds provided in subsection (a) of this Section are based on estimates, if such funds are not sufficient for such purposes the City shall pay to the District an amount equal to the City's Project Percentage of the total cost to pay Fixed Project Costs. The obligation of this Section is incurred by the City for the benefit of future owners of Authority Bonds, and shall commence and continue to exist and be honored by the City whether or not water is furnished to it from the Project at all times or at all (which provision may be characterized as an obligation to pay all costs on a take-or-pay basis whether or not water is delivered or provided and whether or not the Project is completed or is operable.)

(c) Source of Payments. The City shall make payments under this Agreement solely from, and prior to any payment, other than City Operation and Maintenance Expenses and City Prior Debt, from City Water System Revenues or from other lawfully available funds. Nothing herein shall be construed as prohibiting (i) the City from using any other funds and revenues for purposes of satisfying any provisions of this Agreement or (ii) from incurring obligations payable on a parity with obligations under this Agreement so long as the City complies with subsection (a) of Section 14 hereof.

(d) Obligation Is Not Subject To Reduction. The City shall make payments under this Agreement whether or not the Project is completed, operable, operated or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of operation of the Project or of water contracted for in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether offset or otherwise, and are not conditioned upon performance by the District under this Agreement or any Project Participant under the Water Supply Agreements or any other agreement.

Section 6. Measurement of Water Delivered.

The District shall measure, or cause to be measured, all water delivered to the City and shall keep and maintain accurate and complete records thereof. For this purpose, the District shall install, operate, and maintain, or cause to be installed, operated and maintained, at all delivery structures for delivery of water to the City such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the City may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

Section 7. No District Responsibility for Delivery and Distribution of Water by City.

To the extent permitted by law, neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied to the City after such water has passed the delivery structures established in accordance with Section 4(c) hereof; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures and including attorneys fees and other costs of defense in connection therewith; the City shall indemnify and hold harmless the District and its officers, agents, and employees from any such damages or claims of damages.

Section 8. Curtailment of Delivery for Maintenance Purposes.

The City acknowledges that the Authority may temporarily discontinue or reduce the delivery of water under the Water Supply Agreement for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the Project facilities necessary for the delivery of water to the City. In the event that the Authority notifies the District, the District shall use its best efforts to notify the City as far in advance as possible of any such discontinuance or reduction.

Section 9. Area Served By City.

Water delivered to the City pursuant to this Agreement shall not be sold or otherwise disposed of by the City for use

outside the boundaries of the City, except as approved by the District which approval shall not be unreasonably withheld.

Section 10. Shortage in Water Supply.

(a) Temporary Shortages; Delivery Priorities. In any Year in which there may occur a shortage or interruption due to drought or other temporary cause in the supply of water available for delivery to the District, with the result that such supply is less than the Project Allotment, the District shall reduce the delivery of water to the City based upon water use for agricultural, commercial or residential use in accordance with the State Water Supply Contract.

(b) Permanent Shortage Entitlements. In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum State Water Project yield, or if for any other reason there is a reduction in the minimum State Water Project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of State Water Project water to be made available to the District under the Water Supply Agreement, the City acknowledge that water available to the City under this Agreement shall be reduced in accordance with the State Water Supply Contract.

(c) No Liability for Shortages. Neither the District nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from the shortages in the amount of water to be made available for delivery to the City under this Agreement caused by non-availability of water to the District under the Water Supply Agreement or any cause beyond its control.

Section 11. Annual Budget and Billing Statement.

Following receipt by the District from the Authority of an Authority annual budget for credits, costs and expenses relating to the Project, including Fixed Project Costs, Variable O&M Costs and Fixed O&M Costs under the Water Supply Agreement, the District shall promptly supply such budget to the City.

Section 12. Time and Method of Payment.

(a) Initial Payment - Fixed Project Costs. Payments by the City of its Project Percentage of the District's Fixed Project Costs under the Water Supply Agreement shall commence on the date which is 30 days after the effectiveness of this

Section under Section 20 of this Agreement and shall occur on May 15 of each Year thereafter.

(b) Initial Payment - Fixed O&M Costs. Payments by the City of its Project Percentage of the District's Fixed O&M Costs under the Water Supply Agreement shall commence for the Treatment Plant and each Reach on the May 15 preceding the estimated Year of the Initial Operation Date.

(c) Initial Payment - Variable O&M Costs. Payments by the City of its Project Percentage of the District's Variable O&M Costs under the Water Supply Agreement shall commence on the March 15, June 15, September 15 or December 15 which is closest to but is at least three and one half months immediately preceding the date on which initial water delivery is estimated to be made to the District.

(d) Statement of Charges. The District shall within 30 days of the receipt from the Authority of a written statement of the estimated Fixed Project Costs and Fixed O&M Costs of the District for the next succeeding Fiscal Year forward a copy of such statement to the City. The District shall, on or before March 20, June 20, September 20 and December 20 of each Year, commencing with the Fiscal Year in which the Initial Operation Date is estimated to occur furnish the City with a copy of the statement of the charges to the District for the Variable O&M Costs for the three-month period commencing on the July 1, October 1, January 1 or April 1, commencing three and one-half months subsequent to such date.

(e) Times of Payment - Fixed Project Costs. The City shall pay to the District, on or before June 1 of each Year, commencing as set forth in subsection (a) of this Section, 100% of the City's Project Percentage of the District's Fixed Project Costs under the Water Supply Agreement for the next succeeding Fiscal Year.

(f) Times of Payment - Fixed O&M Costs. The City shall pay to the District, on or before May 15 of the Year preceding the Year of anticipated initial water delivery to the District, the City's Project Percentage of the District's Fixed O&M Costs under the Water Supply Agreement.

(g) Times of Payment - Variable O&M Costs. The City shall pay to the District the City's Project Percentage of the District's Variable O&M Costs under the Water Supply Agreement for the three-month period commencing on the next succeeding January 1, April 1, July 1 or October 1 so that the District receives quarterly payments of Variable O&M Costs three and

one-half months in advance of the time when such Variable O&M Costs will begin to be incurred by the District.

(h) Contest of Accuracy of Charges. If the City questions or disputes the correctness of any billing statement by the District, it shall pay the District the amount claimed when due and shall within thirty (30) days of receipt of such billing statement request an explanation from the District. If the bill is determined to be incorrect, the District will adjust the bill to the City in the next Fiscal Year. If the District and the City fail to agree on the correctness of a bill within thirty (30) days after the City has requested an explanation, the parties shall promptly submit the dispute to arbitration under Section 1280 et seq. of the Code of Civil Procedure.

(i) Initial Payment. The City shall also pay to the District on the date of execution of this Agreement an amount equal to Sixty Thousand Dollars (\$60,000.00) which constitutes a portion of the City's allocable share of costs previously paid by the District with respect to the Project, which allocable share equals Three Hundred Thirty Five Thousand Four Hundred Fifty Seven Dollars and Twenty Cents (\$335,457.20). The City shall pay to the District the balance of the aforesaid sum at the time the Initial Payment of fixed Project Costs is made pursuant to Section 12(a) hereof. In addition, the City shall pay to the District from time to time the City's Participation Percentage of the District's costs under the Santa Barbara Water Purveyors Agency Joint Powers Agreements with respect to the Project and other costs properly allocable to the Project.

Section 13. Obligation in the Event of Default.

(a) Written Demand Upon Failure to Make Payment. Upon failure of the City to make any payment in full when due under this Agreement or to perform any other obligation hereunder, the District shall make written demand upon the City, and if said failure is not remedied within thirty (30) days from the date of such demand, such failure shall constitute a default at the expiration of such period. Upon failure of the District to perform any obligation of the District hereunder, the City shall make written demand upon the District, and if said failure is not remedied within thirty (30) days from the date of such demand, to correct the same, such failure shall constitute a default at the expiration of such period.

In addition to any default resulting from breach by the District or the City of any agreement, condition, covenant or term hereof, if the District or the City shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of

bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the District or the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the District or the City shall make a general or any assignment for the benefit of its creditors; then in each and every such case the District or the City, as the case may be, shall be deemed to be in default hereunder.

(b) Enforcement of Remedies. In addition to the remedies set forth in this Section, upon the occurrence of an Event of Default as defined herein, the District or the City, as the case may be, shall be entitled to proceed to protect and enforce the rights vested in such party by this Agreement by such appropriate judicial proceeding as such party shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such party by this Agreement or by law. The provisions of this Agreement and the duties of each party hereof, their respective boards, officers or employees shall be enforceable by the other party hereto by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, with the losing party paying all costs and attorney fees. Without limiting the generality of the foregoing, the District or the City, as the case may be, shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the board of the District or the City, its officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the District or the City, as the case may be.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce its rights against the other party hereto (and its board, officers and employees) and to compel the other party hereto to perform and carry out its duties and obligations under the law and its covenants and agreements as provided herein.

In addition, in the event of a dispute between the District or the City with respect to the terms of the Agreement, the

District and the City agree to submit such matter to arbitration under Section 1280 et seq. of the Code of Civil Procedure with the losing party paying all costs and attorney fees.

(c) Waiver. The waiver by either the City or the District of any breach by the other of any agreement, condition, covenant or term hereof shall not operate as a waiver of any subsequent breach of the same or any other agreement, condition, covenant or term hereof.

(d) Written Demand Upon Failure to Make Payment. Upon failure of the District to make any payment in full when due under the Water Supply Agreement, the City may make written demand upon the District, and if said failure is not remedied within thirty (30) days from the date of such demand, the City shall have the right to make such payment on behalf of the District. In the event that the City makes such a payment on behalf of the District, the District shall repay such amount to the City upon demand together with interest at a rate of 12% per annum.

Section 14. Covenants of the City.

(a) Amount of Rates and Charges. The City will fix, prescribe and collect rates and charges for the City Water System which will be at least sufficient to yield during each Fiscal Year City Net Water System Revenues equal to one hundred twenty-five percent (125%) of the Contract Payments for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the City Net Water System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

(b) Against Sale or Other Disposition of Property. The City will not sell, lease or otherwise dispose of the City Water System or any part thereof, unless the City determines that such sale, lease or other disposition will not materially adversely affect the City's ability to comply with subsection (a) of this Section. The City will not enter into any agreement or lease which impairs the operation of the City Water System or any part thereof necessary to secure adequate City Net Water System Revenues for the payment of the obligations imposed under this Agreement.

(c) Against Competitive Facilities. To the extent permitted by existing law and within the scope of its powers, the City will not acquire, construct, maintain or operate and

will not permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the boundaries of the City any water system competitive with the City Water System.

(d) Maintenance and Operation of the City Water System; Budgets. The City will maintain and preserve the City Water System in good repair and working order at all times and will operate the City Water System in an efficient and economical manner and will pay all City Operation and Maintenance Expenses as they become due and payable. On or before the first day of each Fiscal Year, the City will adopt and file with the District a budget approved by the legislative body of the City, including therein in the estimated City Operation and Maintenance Expenses for such Fiscal Year, the City's Project Percentage of estimated District Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs under the Water Supply Agreement. Any budget may be amended at any time during any Fiscal Year and such amended budget shall be filed by the City with the District.

(e) Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the City Water System Revenues or any part thereof or on any funds in the hands of the District prior or superior to the lien of the payments to be made under this Agreement or which might impair the security of the payments to be made under this Agreement, but the City shall not be required to pay such claims if the validity thereof shall be contested in good faith.

(f) Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the City Water System and all other contracts affecting or involving the City Water System to the extent that the City is a party thereto.

(g) Insurance.

(i) The City shall procure and maintain or cause to be procured and maintained insurance on the City Water System with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, in such amounts and against such risks (including accident to or destruction of the City Water System) as are usually covered in connection with water systems similar

to the City Water System. In the event of any damage to or destruction of the City Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the City Water System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the City Water System shall be free and clear of all claims and liens.

If the Net Proceeds are insufficient to pay in full the cost of reconstruction, repair or replacement of the damaged or destroyed portion of the City Water System, then the City shall complete the work and pay any costs in excess of the amount of the Net Proceeds from City Net Water System Revenues.

(ii) The City will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the District, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the City Water System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the City Water System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained herein shall, to extent reasonably obtainable, provide that the District shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

(h) Accounting Records and Financial Statements.

(i) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the City Water System, which records shall be available for inspection by the District at reasonable hours and under reasonable conditions.

(ii) The City will prepare and file with the District annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1992) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally

accepted accounting principles, together with an Accountant's Report thereon. The City will promptly furnish a copy of such Accountant's Report to the District.

(i) Protection of Security and Rights of the District.
The City will preserve and protect the rights of the District to the obligations of the City hereunder and will warrant and defend such rights against all claims and demands of all persons.

(j) Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the City Water System or any part thereof or upon the City Water System Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the City Water System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

(k) Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the District the rights and benefits provided to them herein.

Section 15. Covenants of the District.

(a) Accounting Records and Financial Statements.

(i) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the District's Project Allocation, which records shall be available for inspection by the City at reasonable hours and under reasonable conditions.

(ii) The District will prepare annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1992) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereof. The District will promptly furnish a copy of such Accountant's Report to the City.

(b) Protection of Security and Rights of the City. The District will preserve and protect the rights of the City to

the obligations of the District hereunder and will warrant and defend such rights against all claims and demands of all persons.

(c) Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the District Water System or any part thereof or upon the District Water System Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the District Water System or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith or if such non-compliance does not affect the City's right to receive water under this Agreement.

(d) The District shall comply with all state and federal laws applicable to the District's participation in the Project, including but not limited to CEQA.

Section 16. Term.

(a) No provision of this Agreement shall take effect until the Water Supply Agreement is effective in accordance with its terms and until an opinion of an attorney or firm of attorneys selected by the City in substantially the form attached hereto as Exhibit B, is received by the District and an opinion for the District of Hatch & Parent, General Counsel to the District, in substantially the form attached hereto as Exhibit C, is received by the City. Certain provisions of the Agreement shall not take effect until certain conditions described in Section 19 hereof are satisfied.

(b) Notwithstanding the delay in effective date of this Agreement until the Water Supply Agreement is effective, it is agreed by the City that in consideration for the District's signature hereto, and for its commitment to use its best efforts to obtain the commitment of all Project Participants to enter into their respective Water Supply Agreements, the City upon its execution and delivery of this Agreement to the District along with the required opinion and any required evidence of compliance as required by subsection (a) of this Section shall be immediately bound not to withdraw its respective offer herein made to enter into this Agreement as executed and/or supplemented or to decrease or terminate its Project Percentage before the earlier of (i) the determination date as described in Section 5(a) of the Water Supply Retention Agreement or (ii) December 1, 1995. Such a decrease or

termination by the City may be made only if this Agreement has not taken effect before, and the Authority Bonds have not been issued prior to November 30, 1995, and only by giving written notice thereof to the District not less than 90 nor more than 120 days prior thereto.

(c) The term of this Agreement shall continue until the termination of the Water Supply Agreement.

Section 17. Assignment. The District may pledge and assign to the Authority, all or any portion of the payments received under this Agreement from the City and the District's other rights and interests under this Agreement. Such pledge and assignment by the District shall be made effective for such time as the District shall determine and provide that the Authority or its assignee shall have the power to enforce this Agreement in the event of a default by the District under the Water Supply Agreement. The City may not assign its rights under this Agreement.

Section 18. Termination and Amendments.

This Agreement shall not be subject to termination by any party under any circumstances, whether based upon the default of any other party under this Agreement, or any other instrument, or otherwise, except as specifically provided herein.

Except as otherwise provided in this Agreement, on and after the date Authority Bonds are issued and so long as any Authority Bonds are outstanding in accordance with the applicable Bond Resolution, Section 5(a), (c) and (d), 11, 12(a) and (e), 13, 14, and 16 of this Agreement shall not be amended, modified or otherwise changed or rescinded by agreement of the parties without the consent of each Trustee whose consent is required under the applicable Bond Resolution. This Agreement may only be otherwise amended, modified, changed or rescinded in writing by each of the parties hereto.

Notwithstanding the foregoing, the sections of this Agreement set forth in the prior paragraph of this Section may be amended without the consent of each Trustee for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the District or the City other agreements, conditions, covenants and terms hereafter to be observed or performed by the District or the City, or to surrender any right reserved

herein to or conferred herein on the District or the City, and which in either case shall not adversely affect the interests of the owners of any Authority Bonds;

(b) 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 hereunder which the District or the City may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the owners of any Authority Bonds;

(c) to make any modifications or changes necessary or appropriate in the opinion of a firm of nationally recognized standing in the field of law relating to municipal bonds to preserve or protect the exclusion from gross income of interest on the Authority Bonds for federal income tax purposes;

(d) to make any modifications or changes to this Agreement in order to enable the execution and delivery of Authority Bonds on a parity with any Authority Bonds previously issued and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Authority Bonds;

(e) to make any other modification or change to the provisions of this Agreement which does not materially adversely affect the interests of the owners of any Authority Bonds.

Section 19. Effectiveness of this Agreement.

Each party hereto acknowledges that certain provisions of the Water Supply Agreement are not effective prior to completion of certain activities under CEQA. Each party agrees that prior to completion of such activities only Sections 1, 2, 12(i), 16, 19, and 20 and such other sections as to which the District and the City determine that effectiveness is permitted under CEQA, shall be immediately effective. All other provisions of this Agreement shall be effective on and after a written determination by the District and the City that CEQA has been complied with such that this Agreement shall be effective.

Section 20. Miscellaneous.

The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be

invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF the City has executed this Agreement with the approval of its City Council, and caused its official seal to be affixed and the District has executed this Agreement in accordance with the authorization of its Board of Trustees and has caused its official seal to be affixed.

SANTA YNEZ RIVER WATER
CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1

[SEAL]

Attest:

By Robert W. Parsons

Name: Robert W. Parsons

Title: Board Secretary

By [Signature]
President

CITY OF SOLVANG

[SEAL]

Attest:

By: Debbie Glover

Name: Debbie Glover

Title: City Clerk

By [Signature]
Name
Mayor
Title

EXHIBIT A

SCHEDULE OF PROJECT PARTICIPANTS
AND PROJECT PERCENTAGES

| | <u>Project Percentage</u> |
|---|-------------------------------|
| City of Solvang | 75% |
| Santa Ynez River Water Conservation District, Improvement District No. 1 | 25% |

EXHIBIT B

SCHRAMM  RADDUE

Attorneys at Law

15 West Carrillo Street
Post Office Box 1260
Santa Barbara, California 93102

Fax (805) 564-4181
Telephone (805) 963-2044

January 17, 1992

Edw. W. Schramm
(1913-1982)

Ralph C. Raddue
(1906-1986)

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David E. Reese
Sandra L. Hitchens
Marjorie F. Allen
Caitlin Scully
Christine M. Sontag
Diana L. Jessup

W. Hartloff, Jr.
E. Hanst
S. H. Jarvis
Douglas E. Schmidt
Kurt H. Pyle
John W. Warnock
Daniel A. Reicker
Howard M. Simon
Derek A. Westen
Weldon U. Howell, Jr.
Frederick W. Clough
Richard F. Lee
Ann Canova-Parker

Santa Ynez River Water Conservation District,
Improvement District No. 1
Post Office Box 175
Santa Ynez, California 93460

City of Solvang
1644 Oak Street
Solvang, California 93460.

Ladies and Gentlemen:

We are acting as counsel to City of Solvang (the "City") under the Water Supply Agreement, dated as of August 1, 1991 (the "Agreement"), between the Santa Ynez River Water Conservation District, Improvement District No. 1 (the "District") and the City, and have acted as counsel to the City in connection with the matters referred to herein. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the City provided to us by the City, (ii) certifications by officers of the City, (iii) all necessary documentation of the City relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the City, we are of the opinion that:

1. The City is a general law city, duly created, organized and existing under the laws of the State of California and duly qualified to furnish water service within its boundaries.

Santa Ynez River Water
Conservation District,
Improvement District No. 1
City of Solvang

-2-

January 17, 1992

2. The City has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the City has complied with the provisions of applicable law relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the City, is in full force and effect as to the City in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the District has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the City.

4. The obligations of the City to make payments under the Agreement from its City Water System Revenues or other lawfully available funds as provided in Section 5 of the Agreement is a valid, legal and binding obligation of the City enforceable in accordance with its terms.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the City of the Agreement.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the City, any commitment, agreement or other instrument to which the City is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the City (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the City and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the City or any entity affiliated with the City or any of its officers in their respective capacities as such, which questions the powers of the City referred to in paragraph 2 above or the validity of the proceedings taken by the City in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would

Santa Ynez River Water
Conservation District,
Improvement District No. 1
City of Solvang

-3-

January 17, 1992

materially adversely affect the transactions contemplated by the Agreement, or which would adversely affect the validity or enforceability of the Agreement.

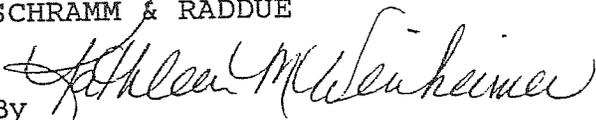
The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the District and the City. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

SCHRAMM & RADDUE

By


Kathleen M. Weinheimer
Assistant City Attorney
City of Solvang

KMW:mld

LAW OFFICES

HATCH AND PARENT

A PROFESSIONAL CORPORATION

21 EAST CARRILLO STREET

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FACSIMILE
 (805) 965-4333

372.0072

September 20, 1991

City of Solvang
 Municipal Center
 1644 Oak Street
 Solvang, California 93463

Santa Ynez River Water Conservation District,
 Improvement District No. 1
 3622 Sagunto Street
 P. O. Box 157
 Santa Ynez, CA 93460

RE: Water Supply Agreement Between Santa Ynez River
 Water Conservation District, Improvement
 District No. 1, and the City of Solvang

Ladies and Gentlemen:

We are acting as counsel to the Santa Ynez River Water Conservation District, Improvement District No. 1 (the "District") under a Water Supply Agreement, dated as of August 1, 1991 (the "Agreement"), between the City of Solvang (the "City") and the District in connection with the matters referred to herein. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the District provided to us by the District, (ii) certifications by officers of the District, (iii) all necessary documentation of the District relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion,

City of Solvang
Santa Ynez River Water Conservation District,
Improvement District No. 1
September 20, 1991
Page 2

including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the District, we are of the opinion that:

1. The District is an improvement district of a water conservation district, duly created, organized and existing under the laws of the State of California with authority to sell water to public agencies within its boundaries.
2. The District has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the District has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the District, is in full force and effect as to the District in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the City has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the District.
4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the District of the Agreement.
5. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the District, any commitment, agreement or other instrument to which the District is a party or by which it or its property is bound or affected, or, to the best of our knowledge, any ruling, regulation, ordinance, judgment, order or decree to which the District (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the District and its affairs.
6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the District or any of its officers in

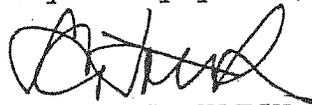
City of Solvang
Santa Ynez River Water Conservation District,
Improvement District No. 1
September 20, 1991
Page 3

their respective capacities as such, which questions the powers of the District referred to in paragraph 2 above or the validity of the proceedings taken by the District in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against water agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the District and the City. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,



STANLEY C. HATCH
For HATCH AND PARENT

SCH: bgg
2690H

EXHIBIT D

LIST OF NOTES, BONDS OR OTHER OBLIGATIONS OF THE CITY AS OF THE DATE OF EXECUTION HEREOF TO WHICH CITY WATER SYSTEM REVENUES ARE PLEDGED

| RESERVE FUND (AS OF RESERVE FUND | DEBT SERVICE | REQUIRED | |
|-------------------------------------|-----------------|------------------|-----------------|
| <u>DESCRIPTION</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> | <u>DEPOSITS</u> |
| NONE | | | |

