

AGREEMENT FOR BOND COUNSEL SERVICES

San Luis Obispo County Wastewater Assessment District No. 1 San Luis Obispo County, California

April 27 This is an agreement for Bond Counsel services, dated as of _____, 2010, and entered into between the COUNTY OF SAN LUIS OBISPO (the "County"), and MEYERS, NAVE, RIBACK, SILVER & WILSON, a Professional Law Corporation, in Oakland, California ("Bond Counsel"), as follows:

Recitals

A. Having formed an assessment district known as the "San Luis Obispo County Wastewater Assessment District No. 1" (the "Assessment District") in December, 2007, and having recorded its Notice of Assessment for the Assessment District thereafter on February 27, 2008, the County desires to engage the services of Bond Counsel to provide consultation respecting consideration of public financing (the "Preliminary Consultation") for a portion of the cost and expense of the proposed Los Osos public wastewater collection, treatment and disposal system project (the "Project"); and assuming such preliminary consideration results in a determination to proceed with a program of public financing (the "Financing Program"), to provide services of Bond Counsel with respect to the issuance, sale and delivery of obligations secured by the unpaid assessments, possibly including short-term notes ("Notes"), long term limited obligation bonds ("Bonds") or loan agreements ("Loan Agreements") or a combination of two or more of these options.

B. Bond Counsel possesses the necessary professional capabilities and resources to provide the legal services required by the County as described in this Agreement.

Agreements

1. Scope of Services. The County retains Bond Counsel to perform the following legal services relating to the Preliminary Consultation and the Financing Program for the Project, as follows:

(a) Phase I – Preliminary Consultation. Preliminary consultation with representatives of the County, including the Public Works Director, County Counsel, County Treasurer-Tax Collector, other participating County staff and the County's financial consultant and consulting engineers and others to consider alternative financing methods and, with respect to the prospective Financing Program, to consider the pros and cons and prospective terms and legal structure thereof in furtherance of assisting the County in determining whether to proceed with and the structure of the Financing Program, and the process for implementing the Financing Program.

(b) Phase II – Issuance and Sale of Notes or Bonds. In the event that the County decides to proceed with the Financing Program which utilizes either Notes or Bonds, preparation of the documents required for implementation of the Financing Program through issuance, sale and delivery of the Notes or Bonds (the “Major Legal Documents”), together with coordination of the closing for delivery of the Notes or Bonds; **provided that** preparation of (i) the Note or Bond Purchase Contract or notice of sale of the Notes or Bonds, as the case may be, (ii) the Preliminary Official Statement and the Official Statement to be derived therefrom, (iii) the continuing disclosure certificate or agreement of the County and (iv) any appraisal report respecting the property within the Assessment District determined to be required in connection with establishing feasibility and amount of note or bond financing shall be the responsibility of other members of the working group retained by the County to provide such services; **provided further that** in the event that a Loan Agreement is entered into as a part of the Financing Program, the role of Bond Counsel will be limited to a review, if requested, of the Loan Agreement to be prepared by others and submission of comments to the County.

Bond Counsel services are limited to those specifically set forth above. Bond Counsel services do not include representation of the County or any other party to the transaction in any litigation or other legal or administrative proceedings involving any of the Notes, the Bonds, the Project, any Loan Agreement or any related matter. Without limiting the generality of the foregoing, Bond Counsel will have no responsibility for and shall not be obligated to review or provide guidance with respect to any aspect of the prior assessment district of the Los Osos Community Services District or the limited obligation improvement bonds issued upon the security of the unpaid assessments of the prior assessment district.

Additionally, Bond Counsel services do not include any responsibility for the preparation or content of any Preliminary Official Statement or final Official Statement, if any (other than preparation of a summary of the Major Legal Documents and a summary of the portion of the opinion to be rendered by Bond Counsel concerning certain tax matters). Bond Counsel services also do not include any responsibility for any aspect of the Project or the implementation of the Project, including but not limited to title to or perfection of security interests in real or personal property which may be required for the Project, satisfaction of the California Environmental Quality Act or the securing of any permit with respect to the Project, review of the plans, specifications and contract documents for the Project, the solicitation of sealed bids for the Project or matters pertaining to the administration of the contract or contracts for construction and installation of the Project. Bond Counsel services do not include any financial advice or analysis. Also, Bond Counsel's services with respect to any series of Notes or Bonds will not extend past the date of issuance of the Notes or Bonds, as the case may be, and will not, for example, include services related to investment of bond sale proceeds, rebate compliance, continuing disclosure or administration of the unpaid assessments and the annual installments payable on account of such unpaid assessments (although Bond

Counsel may be available for separate engagement to provide such services pursuant to separate contract).

2. Services to be Provided by Others. To enable Bond Counsel to perform the services enumerated in paragraph 1 above (excluding subparagraph (a), for which no services need be provided by others), the County will provide, either directly or through others retained for the purpose, the following:

(a) Using a blank form of "Notice of Assessment and Cash Payment Opportunity" to be provided by Meyers Nave, preparation of the individual notices to be mailed to individual property owners with respect to the cash payment period prior to issuance of the Notes or Bonds or execution of any Loan Agreement and the mailing of such individual notices.

(b) Coordination of the receipt and accounting for all cash payments received from property owners during the prescribed pre-issuance cash payment period and preparation of the list of paid and unpaid assessments by which the principal amount of unpaid assessments will be established for approval by resolution of the Board of Supervisors in anticipation of authorization of issuance and sale of the Notes, the Bonds or any Loan Agreement;

(c) With respect to any tax-exempt securities being sold to an underwriter for marketing to investors, (i) the Preliminary Official Statement and the Official Statement to be derived therefrom, (ii) the continuing disclosure certificate or agreement of the County and (iii) any appraisal report respecting the estimated market value of property within the Assessment District determined to be required in connection with establishing feasibility and amount of any component of the Financing Program;

(d) Preparation of any financial analysis or debt service schedules with respect to the Notes, Bonds or Loan Agreement; and

(e) Any services extending past the delivery of the Notes, Bonds or Loan Agreement, including but not limited to services related to investment of bond sale proceeds, rebate compliance, continuing disclosure or administration of the unpaid assessments, including calculation, posting and collection of the annual installments payable on account of such unpaid assessments or monitoring of delinquencies in the payment of such annual installments.

3. In consideration of the services set forth in paragraph 1, the County shall pay to Bond Counsel the following fees and costs:

(a) Compensation for Phase I Preliminary Consultation. For the services described in paragraph 1(a) pertaining to Preliminary Consultation, Bond Counsel shall be paid legal fees at the hourly rates of \$300 for Sam Sperry and \$250 for Stephanie Downs, up to a cap of \$4,000, together with reimbursement of its out-of-pocket expenses (as described in subparagraph (d) below).

Subject to the \$4,000 cap on legal fees, Bond Counsel shall be entitled to payment of legal fees and accrued out-of-pocket expenses monthly upon submission of an invoice summarizing the time expended and the items of out-of-pocket expenses incurred during the just-completed month, such invoices to be paid by the County within 30 days of submission.

(b) Compensation for Phase II Issuance and Sale of Notes or Bonds.

(i) Note or Bond Issuance – First Series. The compensation of Bond Counsel, including both legal fees and out-of-pocket expenses, for the first series of Notes or Bonds, payable at closing, shall be an amount equal to one percent (1%) of that portion of the principal amount of Notes or Bonds up to \$5.0 million, plus one-half of one percent (0.5%) of that portion of the principal amount of Notes or Bonds between \$5.0 million and \$10.0 million, plus one-fourth of one percent (0.25%) of that portion of the principal amount of Notes or Bonds in excess of \$10.0 million, provided that the compensation for the first series of Notes or Bonds shall not be less than \$25,000.

(ii) Note or Bond Issuance – Subsequent Series. For each subsequent series of Notes or Bonds, the compensation of Bond Counsel, including both legal fees and out-of-pocket expenses, payable at closing, shall be an amount equal to one-half of one percent (0.5%) of that portion of the principal amount of Notes or Bonds up to \$10.0 million, plus one-quarter of one percent (0.25%) of that portion of the principal amount of Notes or Bonds in excess of \$10.0 million, provided that the compensation for each subsequent series of Notes or Bonds shall not be less than \$20,000.

(c) Out-of-Pocket Expenses. In addition to the legal fees payable pursuant to subparagraphs (a) and (b), Bond Counsel shall be reimbursed its normal and customary out-of-pocket expenses, including car travel at the mileage rates established from time-to-time by the IRS, parking charges and bridge tolls as incurred, meals and lodging in the event of evening or morning meetings requiring an overnight stay in San Luis Obispo or vicinity, photocopies at 20 cents per page, telephone and facsimile charges as incurred, and postage and express delivery charges as incurred.

(d) Compensation of Bond Counsel pursuant to subparagraph (a) above shall be payable by either wire transfer or check, as the County shall determine, based upon an invoice to be submitted by Bond Counsel. Compensation of Bond Counsel pursuant to subparagraph (b) above shall be payable by wire transfer from the proceeds of sale of the Notes or Bonds on the date of delivery of the Notes or Bonds to the original purchasers thereof, based upon an invoice to be submitted to the County no later than the pre-closing for review. In the event no notes or bonds are issued, the County shall have no obligation to pay any legal fees to Bond Counsel pursuant to subparagraph (b), although the County will be obligated to reimburse Bond Counsel for accrued out-of-pocket expenses pursuant to subparagraph (c) in the event that no Notes or Bonds have been issued, sold and delivered by June 30, 2011.

4. This Agreement and all legal services to be rendered under it may be terminated at any time by written notice from either party, with or without cause. In that event, all finished and unfinished documents prepared for adoption or execution by the County shall, at the option of the County, become its property and shall be delivered to it or to any party it may designate; provided that Bond Counsel shall have no liability whatsoever for any subsequent use of such documents. In the event of termination by the County, Bond Counsel shall be paid all compensation then accrued pursuant to paragraph 3 above, the County will have no further obligations toward Bond Counsel, and Bond Counsel shall have no further duty of any kind to or with respect to the Financing Program or the County.

5. The role of Bond Counsel, generally, is to prepare or review documents and to coordinate the procedures for establishment of the Assessment District and the authorization of issuance and delivery of the Bonds and to provide an expert legal opinion with respect to the validity of the Bonds and other subjects addressed by the opinion. Consistent with the historical origin and unique role of Bond Counsel, and reliance thereon by the public finance market, Bond Counsel's role as Bond Counsel under this Agreement is to provide an opinion and related legal services that represents an objective judgment on the matters addressed therein rather than the partisan position of an advocate.

In performing its services as Bond Counsel in connection with the Bonds, Bond Counsel will act as Bond Counsel to the County with respect to issuance of the Bonds; i.e., Bond Counsel will assist County Counsel in representing the County but only with respect to sufficiency of the legal documents for the legal proceedings, validity of the Bonds, and the tax status of interest on the Bonds, and in a manner not inconsistent with the role of Bond Counsel described in the first paragraph of this paragraph (5).

Bond Counsel's function and responsibility under this Agreement, and as Bond Counsel with respect to the issuance of the Bonds, terminates upon issuance of the Bonds (unless terminated sooner as provided herein). Bond Counsel's services as Bond Counsel through Bonds issuance are limited to those contracted for explicitly in this Agreement. Any engagement of Bond Counsel with respect to rebate compliance, post-issuance disclosure or any other matter after bond issuance shall be separate and distinct from its engagement as Bond Counsel through bond issuance. However, unless otherwise provided, any such post-issuance engagement with respect to the Bonds shall continue on the same basis set forth in this paragraph (5).

6. Issuer acknowledges that Bond Counsel regularly performs legal services for many private and public entities, in connection with a wide variety of matters. Bond Counsel hereby agrees that it will not accept any engagement by any other entity respecting any aspect of the Assessment District or the Financing Program during the period of this engagement between Bond Counsel and the County.

Bond Counsel has represented, is representing and expects to represent in the future other public entities, bond underwriters, trustees, rating agencies, insurers, credit enhancement providers, lenders, contractors, suppliers, financial and other consultants and advisors, accountants, investment providers/brokers, providers/brokers of derivative products and others who may have a role or interest in the Financing Program or the Project or that may be involved with or adverse to the County in this or some other matter. Bond Counsel agrees not to represent any such entity in connection with the Financing Program or the Project, during the term of this Agreement, without the consent of the County.

Given the special, limited role of Bond Counsel described above, the County acknowledges that no conflict of interest exists or would exist, and waives any conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of this Agreement or any such other attorney-client relationship that Bond Counsel may have had, may have, or may enter into, and the County specifically consents to any and all such relationships.

7. Nothing in this Agreement or in any of the documents contemplated hereby, expressed or implied, is intended or shall be construed to give any person other than the County and Bond Counsel any legal or equitable right or claim under or in respect of this Agreement, and this Agreement shall inure to the sole and exclusive benefit of the County and Bond Counsel.

Bond Counsel may not assign its obligations under this Agreement without written consent of the County, except to a successor partnership or corporation to which all or substantially all of the assets and operations of Bond Counsel are transferred. The County shall assign its rights and obligations under this Agreement to (but only to) any other public entity that issues the Bonds (if not the County), in which case the County hereby acknowledges that any relationship or obligation of Bond Counsel to the County

under or by virtue of this Agreement shall be deemed to be totally annulled ab initio. The County shall not otherwise assign its rights and obligations under this Agreement without written consent of Bond Counsel. All references to Bond Counsel and the County in this Agreement shall be deemed to refer to any such successor of Bond Counsel and to any such assignee of the County and shall bind and inure to the benefit of such successor and assignee whether so expressed or not.

8. This Agreement may be executed in any number of counterparts, and each counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same Agreement.

9. Any and all notices pertaining to this Agreement shall be sent by U.S. Postal Service, first class, postage prepaid, as follows:

To The County

County of San Luis Obispo
County Government Center, Room 207
San Luis Obispo, CA 93408
Attention: Director of Public Works

To Bond Counsel

Meyers, Nave, Riback, Silver & Wilson
555 12th Street, Suite 1500
Oakland, CA 94607
Attention: Samuel A. Sperry

10. It is expressly understood and agreed by the parties hereto that Bond Counsel's relationship to the County is that of an independent contractor. All persons hired by Bond Counsel and performing the work shall be Bond Counsel's employees or agents. The County shall not be obligated in any way to pay any wages or other claims by any such employees or agents by reason of this agreement. Bond Counsel shall be solely liable to such employees and agents for loss, costs, damage, or injury by said employees or agents during the course of the work.

IN WITNESS WHEREOF the County and Bond Counsel have executed this Agreement by their duly authorized representatives as of the date provided above.

COUNTY OF SAN LUIS OBISPO

By: Frank Decham
Chairperson, Board of Supervisors

ATTEST: **JULIE L. RODEWALD**
Clerk of the Board of Supervisors

By: cmchristensen

MEYERS, NAVE, RIBACK, SILVER & WILSON,
a Professional Law Corporation

By: Samuel A. Sperry
Samuel A. Sperry

APPROVED AS TO FORM

Warren R. Jensen
County Counsel

BY: Warren R. Jensen
County Counsel

Dated: Feb. 24, 2010