

IRREVOCABLE LETTER OF CREDIT

NO. _____

(FAITHFUL PERFORMANCE)

[Date of Issuance of Letter of Credit]

Vallecitos Water District
201 Vallecitos de Oro
San Marcos, CA 92069

Attn: William W. Rucker, General Manager

We hereby establish our Irrevocable Letter of Credit in your favor for the account of _____
[name]
("Customer"), a _____,
[state] [describe entity]
for the sum \$_____, effective immediately. We understand that this letter of credit is being provided to satisfy the terms of an agreement entitled _____
[describe agreement]
_____,
dated _____ ("Agreement") between the Vallecitos Water District and Customer.

Funds under this letter of credit are available to you against your sight draft(s) on us, mentioning thereon the number and date of this letter of credit. Each such draft must be accompanied by a signed and dated letter from your general manager, district engineer, or district general counsel stating that Customer has

failed as to its faithful performance in accordance with the Agreement and specifying the amount requested, up to the full amount of this Irrevocable Letter of Credit. Such draft(s) and letter(s) shall be made at our office at _____
[address of bank]

If we receive your sight draft(s) and letter(s) as mentioned above, at the designated address on or before the expiration date of this letter of credit, we will promptly honor the same.

This letter of credit shall expire one (1) year (the "Warranty Period") after the Vallecitos Water District has recorded a Notice of Completion of work performed on the project known as _____

_____, or _____,
[project name] [one year from effective date]
whichever shall first occur. This letter of credit shall be deemed

automatically extended without amendment for an additional period of one (1) year from the said expiration date, and annually thereafter, unless sixty (60) days prior to any such date the Bank shall notify the secretary and the general manager of the District by registered letter that the Bank elects not to renew for such additional one (1) year term. In the event that we so notify you, this letter of credit shall also be payable by your draft on us at our office at _____,
[address of bank]

accompanied by a certificate of the secretary of the Vallecitos Water District reading as follows:

"The undersigned hereby certifies that he is the duly elected secretary of the Vallecitos Water District and that the said District has received from _____
[name of bank]
_____ notification in writing that it has elected not to consider its Irrevocable Letter of Credit No. _____ renewed.

"This certificate is made and delivered by the undersigned to the _____
[name of bank]
_____, in accordance with the aforesaid letter of credit.

"In witness whereof, this undersigned has executed this certificate this _____ day of _____, _____."

The amount hereof to secure faithful performance may be reduced to not less than twenty-five percent (25%) of the amount previously stated after the recording of a Notice of Completion and until the expiration of the one-year (1) warranty period.

This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits, 1983 Revision, ICC Publication No. 400.

Very truly yours,

[NAME OF BANK]

By _____