

INTERCREDITOR COORDINATION AGREEMENT

by and between

NAPA SANITATION DISTRICT

and

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

and

MBIA INSURANCE CORPORATION

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated as of July 1, 2009

relating to

**\$34,520,000
NAPA SANITATION DISTRICT
CERTIFICATES OF PARTICIPATION
(WASTEWATER PROJECT)
SERIES 1998 A**

AND

**\$ _____
NAPA SANITATION DISTRICT
ADJUSTABLE RATE REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION, SERIES 2009A
(2001 REFUNDING PROJECT)**

INTERCREDITOR COORDINATION AGREEMENT

This Intercreditor Coordination Agreement is made and entered into as of July 1, 2009 (the "Agreement"), by and between the Napa Sanitation District, a county sanitation district duly organized and existing under the laws of the State of California (the "District"), the Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America (the "Trustee"), MBIA Insurance Corporation, a New York insurance corporation, as bond insurer ("MBIA") and Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, as letter of credit provider (the "Bank").

RECITALS

Whereas, the District has previously caused to be executed and delivered \$34,520,000 Napa Sanitation District Certificates of Participation (Wastewater Project) 1998 Series A (the "1998 Certificates") pursuant to an Indenture of Trust dated as of July 1, 1998 (the "1998 Trust Agreement") by and among the District, CSCDA Finance Corporation ("CSCDA Finance Corporation") and the Trustee, as successor trustee to U.S. Trust company N.A., evidencing interests of the owners thereof in installment payments (the "1998 Installment Payments") to be made by the District to the CSCDA Finance Corporation pursuant to the Installment Purchase Contract, dated as of July 1, 1998 (the "1998 Installment Purchase Contract");

Whereas, all capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 1998 Installment Purchase Contract and the 1998 Trust Agreement;

Whereas, pursuant to Section 4.03 of the 1998 Installment Purchase Contract, the District may enter into Parity Obligations secured from and payable from Net Revenues on the same priority as the 1998 Installment Payments;

Whereas, the District desires to cause to be executed and delivered \$_____ Napa Sanitation District Adjustable Rate Refunding Revenue Certificates of Participation Series 2009A (2001 Refunding Project) (the "2009 Certificates") pursuant to a Trust Agreement dated as of July 1, 2009 (the "2009 Trust Agreement") by and among the District, the Napa Sanitation District Public Finance Corporation (the "Finance Corporation") and the Trustee, evidencing direct and undivided interests of the owners thereof in installment payments (the "2009A Installment Payments") to be made by the District to the Finance Corporation pursuant to the Installment Purchase Agreement, dated as of July 1, 2009 (the "2009 Installment Purchase Agreement");

Whereas, the 2009A Installment Payments shall constitute Parity Obligations and pursuant to Section 3.04 of the 1998 Installment Purchase Contract shall have a first lien pledge of the Net Revenues and on the Revenue Fund on a parity with the 1998 Installment Payments;

Whereas, in accordance with Section 3.06 of the 1998 Installment Purchase Contract all Revenues in the Revenue Fund following the payment of Maintenance and Operation Costs shall be applied to the Debt Service Accounts and Reserve Funds for all Parity Obligations without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference; and

Whereas the parties hereto desire to enter into this Agreement in order to resolve certain ambiguities contained in the 1998 Trust Agreement and the 1998 Installment Purchase Contract relating to the rights and remedies of the owners of Parity Obligations.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Definitions. As used in this Agreement and unless otherwise expressly indicated, or unless the context clearly requires otherwise, the following terms shall have the following meanings:

“Unrestricted and Undesignated Cash and Investments to Debt Ratio” means, as of any date, the ratio of (a)(i) Unrestricted and Undesignated Cash of the District plus (a)(ii) Unrestricted and Undesignated Investments of the District compared to (b) the District’s Debt.

“Unrestricted and Undesignated Cash” means cash or cash equivalents acceptable to MBIA or the Bank, as applicable, but only to the extent that any of the foregoing are not subject to (a) any lien, obligation, covenant or other restriction as to use or disposition, whether in favor of MBIA, the Bank or any other person or (b) any use designation by the District’s board of directors or other applicable governing body or regulator, or any other designation requiring such cash or cash equivalents to be used in any manner other than solely at the discretion of the District, including, without limitation, any capital designation or rehabilitation funds.

“Unrestricted and Undesignated Investments” means investments acceptable to MBIA or the Bank, as applicable, but only to the extent that such investments (a) are not subject to any lien, obligation, covenant or other restriction as to use or disposition, whether in favor of MBIA, the Bank or any other person, (b) are not subject to any use designation by the District’s board of directors or other applicable governing body or regulator, including, without limitation, any capital designation or rehabilitation investments and (c) may be liquidated into Unrestricted and Undesignated Cash within 5 Business Days of any date or event.

“Debt” of any person means at any date, without duplication, (i) all obligations of such person for borrowed money, whether considered short-term or long-term, (ii) all obligations of such person evidenced by the 1998 Certificates, the 2009 Certificates, any Parity Obligations, debentures, notes or other similar instruments, (iii) all obligations of such person under any and all rate swap transactions, credit derivative transactions, bond or bond price or bond index swaps, options, interest rate options, cap transactions, floor transactions, collar transactions, or any other similar transactions (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement and under any and all transactions of any kind, and the related confirmations, including those subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any other master agreement including any such obligations or liabilities under any such master agreement (in each case, together with any related schedules), (iv) all obligations of such person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (v) all obligations of such person as lessee under capital leases, (vi) all Debt of others secured by a lien on any asset of such person, whether or not such Debt is assumed by such person, and (vii) all guarantees by such person of Debt of other persons.

Section 2. Appointment of Trustee for all Parity Obligations.

The Trustee or any successor appointed thereto, shall serve as trustee pursuant to both the 1998 Trust Agreement, the 2009 Trust Agreement and the trust agreement for any future Parity Obligations. The Trustee shall act as a fiduciary for the benefit of the owners of the 1998 Certificates, the 2009A Certificates and all future Parity Obligations without preference or priority.

Section 3. Application of Funds upon an Event of Default.

The Trustee or any receiver appointed pursuant to Section 7.03 of the 1998 Installment Purchase Contract or 6.02 of the 1998 Trust Agreement shall upon the occurrence and continuance of an Event of Default under either the 1998 Trust Agreement, the 1998 Installment Purchase Contract, the 2009 Trust Agreement, the 2009 Installment Purchase Agreement or any future Parity Obligations, apply all moneys received by it or otherwise held by it (after the payment of the reasonable costs and fees of and the reasonable expenses, liabilities and advances incurred or made by the Trustee, including reasonable compensation to its agents, attorneys and counsel) to the equal benefit of all Parity Obligations then outstanding without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

Section 4. Direction of Remedies and Acceleration.

Upon the occurrence and continuation of an Event of Default, MBIA shall have the right to direct and control all consent rights and remedies on behalf of the owners of the 1998 Certificates and the Bank shall have the right to direct and control all consent rights and remedies on behalf of the owners of the 2009 Certificates. The acceleration of any Parity Obligation upon an Event of Default shall cause an acceleration of all other outstanding Parity Obligations.

Section 5. Excess Insurance Proceeds.

If any damage or destruction of the Enterprise is covered by insurance proceeds, any insurance proceeds in excess of the costs of repair, reconstruction or replacement of the Enterprise shall be applied to the prepayment of the 1998 Installment Payments, the 2009A Installment Payments and any other Parity Obligations without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

Section 6. Eminent Domain Proceeds.

Pursuant to Section 5.16(b) of the 1998 Installment Purchase Contract, if the conditions set forth in Section 5.16(a) can not be satisfied, Net Proceeds shall be applied to the prepayment of the 1998 Installment Payments, the 2009A Installment Payments and any other Parity Obligations without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

Section 7. Voluntary Prepayments.

(a) The District will not make, and none of the Trustee, MBIA or the Bank will accept or receive, any payment or benefit in cash, by setoff or otherwise, directly or indirectly, on account of principal, interest or any other amounts arising as a result of the voluntary prepayment by the District of any or all of the 1998 Certificates, the 2009A Certificates or any future Parity Obligations; provided, however, that the District may make (i) and the Trustee and MBIA may receive, a

voluntary prepayment on account of principal, interest or other amounts arising under the 1998 Certificates or any other Parity Obligations with the prior written consent of the Bank, which consent may be granted in the Bank's sole and absolute discretion, (ii) and the Trustee and the Bank may receive, a voluntary prepayment on account of principal, interest or other amounts arising under the 2009 Certificates or any other Parity Obligations with the prior written consent of MBIA, which consent may be granted in MBIA's sole and absolute discretion and (iii) and the Trustee, MBIA, the Bank or the holder of any Parity Obligations, as applicable, may receive a voluntary prepayment on account of principal, interest or other amounts arising under the 1998 Certificates, the 2009 Certificates or any other Parity Obligations without the consent of MBIA or the Bank, if after giving effect to any such voluntary prepayment, the District has an Unrestricted and Undesignated Cash and Investments to Debt Ratio of not less than 0.20 to 1.00. Notwithstanding anything to the contrary contained in this Section 7(a), the District may refund in their entirety, but not in part, the 1998 Certificates, the 2009 Certificates or any other Parity Obligations at any time from proceeds of Parity Obligations or subordinate debt. Prior to the District making any voluntary prepayment pursuant to Section 7(a)(iii), the District shall deliver an officer's certificate to the Trustee, MBIA and the Bank detailing pro forma compliance with the Unrestricted and Undesignated Cash and Investments Ratio set forth in this Section 7(a).

(b) If any such payment is made in violation of this Agreement, then the Trustee, MBIA or the Bank, as applicable, shall promptly return the same to District in the form received.

Section 8. Term and Effect.

This Agreement shall take effect only upon the execution and delivery of the 2009A Certificates and shall terminate upon the discharge or defeasance of the 1998 Installment Purchase Contract and the 1998 Trust Agreement.

Section 9. Agreement to Control.

The Parties hereby agree and confirm that it is the intent of the parties hereto that the provisions and intent of this Agreement to cure the ambiguities of the 1998 Trust Agreement and the 1998 Installment Purchase Contract relating to Parity Obligations shall be controlling in the event of any ambiguities.

Section 10. Counterparts.

This Agreement may be executed in counterparts

Section 11. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Intercreditor Coordination by their officers thereunto duly authorized as of the day and year first written above.

NAPA SANITATION DISTRICT

By: _____
Its: General Manager

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

By: _____
Its: Authorized Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Its: Authorized Officer

MBIA INSURANCE CORPORATION

By: _____
Its: Authorized Officer