REGULAR MEETING OF THE BOARD OF DIRECTORS  
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA  
FINANCING AUTHORITY  
4040 PARAMOUNT BLVD., LAKEWOOD, CA. 90712  
11:00 AM, WEDNESDAY, NOVEMBER 21, 2018  

AGENDA

Each item on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "For information" or "For discussion" may also be the subject of an "action" taken by the Board or a Committee at the same meeting.

1. DETERMINATION OF A QUORUM

2. PUBLIC COMMENT  
   Pursuant to Government Code Section 54954.3

3. RESOLUTION OF THE BOARD OF DIRECTORS OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY (I) APPROVING THE ISSUANCE OF ITS REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $80,000,000; (II) APPROVING THE FORMS AND AUTHORIZING THE EXECUTION OF AN INSTALLMENT PURCHASE AGREEMENT, AN INDENTURE OF TRUST, A PURCHASE AGREEMENT AND OTHER RELATED DOCUMENTS; (III) APPROVING THE DELIVERY OF AN OFFICIAL STATEMENT; AND (IV) APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH  
   Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors adopt Resolution Number 18-03 approving the issuance of the Bonds by the Authority under and pursuant to the Bond Law; provided, the aggregate principal amount of the Bonds shall not exceed $80,000,000.

4. OTHER BUSINESS

5. ADJOURNMENT

Agenda posted on 11/18/2018. In compliance with the Americans with Disabilities Act (ADA), if special assistance is needed to participate in the meeting, please contact Brandon Mims, Board Deputy Secretary at (562) 921-5521 for assistance to enable the District to make reasonable accommodations. All public records relating to an agenda item on this agenda are available for public inspection at the time the record is distributed to all, or a majority of all, members of the Board. Such records shall be available at the District office located at 4040 Paramount Boulevard, Lakewood, California 90712. Agendas and minutes are available at the District’s website, www.wrd.org. EXHAUSTION OF ADMINISTRATIVE REMEDIES – If you challenge a District action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Deputy Secretary at, or prior to, the public hearing. Any written correspondence delivered to the District office before the District’s final action on a matter will become a part of the administrative record.
MEMORANDUM
ITEM NO. 3

DATE: NOVEMBER 21, 2018

TO: BOARD OF DIRECTORS

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: RESOLUTION OF THE BOARD OF DIRECTORS OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY (I) APPROVING THE ISSUANCE OF ITS REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $80,000,000; (II) APPROVING THE FORMS AND AUTHORIZING THE EXECUTION OF AN INSTALLMENT PURCHASE AGREEMENT, AN INDENTURE OF TRUST, A PURCHASE AGREEMENT AND OTHER RELATED DOCUMENTS; (III) APPROVING THE DELIVERY OF AN OFFICIAL STATEMENT; AND (IV) APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

SUMMARY

On October 17, 2018, the Board of Directors approved the District’s 5-Year Capital Improvement Plan (CIP) and looks to the capital funding needs for the next two years. The Albert Robles Center (ARC) is expected to be delivering product water by December 2018 and thus completes a major accomplishment of becoming independent of expensive and unreliable imported water. The District has also completed the Goldsworthy Desalter Expansion Project which doubled the design capacity of the facility from 2.5 million gallons per day (mgd) to 5.0 mgd. As the WRD looks towards the future, it is evident that additional funds will be needed to continue WRD’s mission to supply clean and reliable water to the West Coast and Central Groundwater Basins.

In January 2018, the Board of Directors approved the bond financing professionals which includes the underwriter syndicate with Wells Fargo as the senior manager and lead underwriter with Cabrera Capital and FTN Financial as the other members of the syndicate, Nixon Peabody as the District’s Bond and Disclosure Counsel.
With District staff leading the Financing Team, we have the following drafts of bond documents in substantially final forms completed:

- Preliminary Official Statement
- Indenture of Trust
- Installment Purchase Agreement
- Bond Purchase Agreement
- WRD Authority Resolution

Both Standard & Poor’s and Fitch Rating have affirmed the District’s bond rating as AA+ / Stable.

The attached documents have been reviewed by the Finance/Audit Committee and are being forwarded to the Board of Directors for approval.

**Good Faith Estimates**

The following information was obtained from Wells Fargo Securities, as underwriter advisor for the Bonds, with respect to the Bonds, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

- **True Interest Cost of the Bonds.** Assuming the maximum aggregate principal amount of the Bonds authorized ($80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 4.50%.

- **Finance Charge of the Bonds.** Assuming the maximum aggregate principal amount of the Bonds authorized ($80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties, is $950,000.

- **Amount of Proceeds to be Received.** Assuming the maximum aggregate principal amount of the Bonds authorized ($80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is $80,000,000.

- **Total Payment Amount.** Assuming the maximum aggregate principal amount of the Bonds authorized ($80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is $150,000,000.
Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bond sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the Authority and the District based on need for project funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the District’s and the Authority’s control.

**FISCAL IMPACT**

Based on SB450 5852.1 (a)(1)(A)-(D) the “Good Faith Estimate Rider” provides a financial assessment of the fiscal impact of the bonds based on the amount not to exceed of $80,000,000.

**STAFF RECOMMENDATION**

The Finance/Audit Committee recommends that the Board of Directors adopt Resolution Number 18-03 approving the issuance of the Bonds by the Authority under and pursuant to the Bond Law; provided, the aggregate principal amount of the Bonds shall not exceed $80,000,000.
RESOLUTION NO. 18-03

RESOLUTION OF THE BOARD OF DIRECTORS OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY (I) APPROVING THE ISSUANCE OF ITS REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $80,000,000; (II) APPROVING THE FORMS AND AUTHORIZING THE EXECUTION OF AN INSTALLMENT PURCHASE AGREEMENT, AN INDENTURE OF TRUST, A PURCHASE AGREEMENT AND OTHER RELATED DOCUMENTS; (III) APPROVING THE DELIVERY OF AN OFFICIAL STATEMENT; AND (IV) APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Bond Law”) and a Joint Exercise of Powers Agreement, dated August 6, 2015 (the “JPA Agreement”), by and between the Water Replenishment District of Southern California (the “District”) and the California Municipal Finance Authority (the “CMFA”), the District and CMFA created the Water Replenishment District of Southern California Financing Authority (the “Authority”); and

WHEREAS, pursuant to Bond Law and the JPA Agreement, the Authority is authorized to borrow money for the purpose of assisting the District in the financing and refinancing of costs related to public capital improvements of the District; and

WHEREAS, it has been proposed that the Authority assist the District in the financing of certain public capital improvements to the District (the “Improvements”); and

WHEREAS, to assist the District with the financing of the Improvements, it has been proposed that the District enter into an Installment Purchase Agreement (the “Installment Purchase Agreement”), by and between the District and the Authority, the proposed form of which has been presented to this Board of Directors, pursuant to which the District will agree to make certain installment purchase payments (the “Purchase Payments”) in connection therewith; and

WHEREAS, the Authority and the District have determined that it would be in the best interests of the Authority and the District to authorize, pursuant to an Indenture of Trust (the “Indenture”), by and among the Authority, the District and U.S. Bank National Association, as trustee (the “Trustee”), the proposed form of which has been presented to this Board of Directors, the issuance of the Authority’s Replenishment Assessment Revenue Bonds, Series 2018 (the “Bonds”) in the aggregate principal amount of not to exceed $80,000,000 under the provisions of the Bond Law; and

WHEREAS, the Bonds will be offered for sale through a Preliminary Official Statement and an Official Statement, the proposed form of which has been presented to this Board of Directors; and

WHEREAS, it has been proposed that the Authority enter into a Purchase Agreement (the “Purchase Agreement”) with Wells Fargo Bank, National Association, as representative of itself,
WHEREAS, the Authority has determined that it is in the best public interest of the Authority to approve the above documents and authorize and approve the transactions contemplated thereby;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY AS FOLLOWS:

Section 1. The Board of Directors hereby approves the issuance of the Bonds by the Authority under and pursuant to the Bond Law; provided, the aggregate principal amount of the Bonds shall not exceed $80,000,000. The Bonds shall be issued pursuant to the Indenture and in one or more series including a taxable series. The Board of Directors hereby approves the Indenture in the form thereof on file with the Secretary, together with such additions thereto and changes therein as are approved in accordance with Section 5 hereof, such approval to be conclusively evidenced by the execution and delivery thereof.

The Chair, the Vice Chair, and the Secretary of the Board of Directors of the Authority, the Executive Director of the Authority and the Treasurer of the Authority, and their respective designees (each, an “Authorized Officer”), are each hereby authorized to execute the final form of the Indenture, for and in the name and on behalf of the Authority. The Board of Directors hereby authorizes the delivery and performance of the Indenture.

The Board of Directors hereby approves the issuance of the Bonds in accordance with the terms and provisions of the Indenture (as executed and delivered).

Section 2. The Board of Directors hereby approves the Installment Purchase Agreement in the form thereof on file with the Secretary, together with such additions thereto and changes therein as are approved in accordance with Section 5 hereof, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized to execute the final form of the Installment Purchase Agreement, for and in the name and on behalf of the Authority. The Board of Directors hereby authorizes the delivery and performance of the Installment Purchase Agreement.

Section 3. The Board of Directors hereby approves the Purchase Agreement in the form thereof on file with the Secretary, together with such additions thereto and changes therein as are approved by Section 5 hereof, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized to execute the final form of the Purchase Agreement, for and in the name and on behalf of the Authority. The Board of Directors hereby authorizes the delivery and performance of the Purchase Agreement.

Section 4. The Board of Directors hereby approves the Preliminary Official Statement relating to the Bonds (the “Preliminary Official Statement”) in the form thereof on file with the Secretary, with such additions thereto and changes therein as are approved by any Authorized Officer, upon consultation with the Authority’s counsel and Nixon Peabody LLP, Bond Counsel...
and Disclosure Counsel (“Bond Counsel”). Each of the Authorized Officers is hereby authorized to execute and deliver a certificate deeming the Preliminary Official Statement final for purposes of SEC Rule 15c2-12. Upon the pricing of the Bonds, each of the Authorized Officers is hereby authorized to prepare and execute a final Official Statement (the “Official Statement”), substantially in the form of the Preliminary Official Statement, with such additions thereto and changes therein as approved by any Authorized Officer, upon consultation with the Authority’s counsel and Bond Counsel. The Board of Directors hereby authorizes the distribution of the Preliminary Official Statement and the Official Statement by the Underwriters in connection with the offering and sale of the Bonds.

Section 5. The agreements approved in Sections 1, 2, and 3 of this Resolution shall, when executed and delivered pursuant to said sections, contain such additions and changes as shall have been approved by the Authorized Officers. Each Authorized Officer is hereby authorized to determine, in connection with the execution and delivery of the agreements approved in Sections 1, 2, and 3 hereof, the following with respect to the Bonds:

(i) the aggregate principal amount of the Bonds, which shall not exceed $80,000,000;

(ii) the capital projects to be financed with the proceeds of the Bonds;

(iii) the final Purchase Payment under the Installment Purchase Agreement, which shall be due and payable not later than August 1, 2049;

(iv) the all-in true interest cost rate on the Bonds, which shall not exceed 5.0% per annum; and

(v) the Underwriters’ discount on the Bonds, which shall not exceed 0.375% of the aggregate principal amount thereof.

Section 6. The Chair of the Board of Directors of the Authority, the Vice Chair of the Board of Directors of the Authority, the Secretary of the Board of Directors of the Authority, the Executive Director of the Authority, the Treasurer of the Authority, the Authority’s counsel and the other officers, employees and agents of the Authority are hereby authorized and directed, jointly and severally, for and in the name of the Authority, to do any and all things and to take all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds, and to consummate the transactions contemplated by the Indenture, the Installment Purchase Agreement, the Purchase Agreement and this Resolution, and such actions previously taken by such officers, employees and agents are hereby ratified and confirmed.

Section 7. This Resolution shall take effect immediately upon its passage.
ADOPTED by the Board of Directors of the Water Replenishment District of Southern California Financing Authority this 21st day of November, 2018, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

____________________
Chair

ATTEST:

____________________
Secretary
INDENTURE OF TRUST

by and among the

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY,

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Dated as of October 1, 2018

Relating to the

$____________

Water Replenishment District of Southern California Financing Authority

Replenishment Assessment Revenue Bonds, Series 2018
TABLE OF CONTENTS

ARTICLE I DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY .......................................................................................................................................2

Section 1.01. Definitions .........................................................................................................................................................................................2
Section 1.02. Rules of Construction ...............................................................................................................................................................2
Section 1.03. Authorization and Purpose of Bonds ...................................................................................................................................9
Section 1.04. Equal Security .............................................................................................................................................................................10
Section 1.05. Conditions Precedent Satisfied ............................................................................................................................................10
Section 1.06. Exhibits .........................................................................................................................................................................................10

ARTICLE II ISSUANCE OF THE BONDS .................................................................................................................................................10

Section 2.01. Terms of the Bonds ...............................................................................................................................................................10
Section 2.02. Redemption of Bonds .............................................................................................................................................................12
Section 2.03. Form of Bonds ..........................................................................................................................................................................14
Section 2.04. Execution of Bonds .................................................................................................................................................................14
Section 2.05. Transfer of Bonds .................................................................................................................................................................14
Section 2.06. Exchange of Bonds ...............................................................................................................................................................15
Section 2.07. Registration Books ...............................................................................................................................................................15
Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen ..................................................................................................................................15
Section 2.09. Temporary Bonds .................................................................................................................................................................15
Section 2.10. Cancellation of Bonds .........................................................................................................................................................16
Section 2.11. Book-Entry Only System ....................................................................................................................................................16

ARTICLE III DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS ........................................................................................................17

Section 3.01. Issuance of Bonds .................................................................................................................................................................17
Section 3.02. Application of Proceeds of Sale of Bonds ..................................................................................................................................17
Section 3.03. Validity of Bonds .................................................................................................................................................................18

ARTICLE IV REVENUES; FLOW OF FUNDS ........................................................................................................................................18

Section 4.01. Pledge of Revenues; Assignment of Rights ...............................................................................................................................18
Section 4.02. Purchase Payment Fund .........................................................................................................................................................18
Section 4.03. Debt Service Fund .................................................................................................................................................................19
Section 4.04. [Reserved] .............................................................................................................................................................................19
Section 4.05. Costs of Issuance Fund .........................................................................................................................................................19
Section 4.06. Acquisition and Construction Fund ...................................................................................................................................20
Section 4.07. Deposits of Money ...............................................................................................................................................................20
Section 4.08. Investments .............................................................................................................................................................................20
Section 4.09. Valuation and Disposition of Investments ...............................................................................................................................21

ARTICLE V COVENANTS OF THE AUTHORITY, THE TRUSTEE AND THE CITY .................................................................22

Section 5.01. Punctual Payment .................................................................................................................................................................22
Section 5.02. Extension of Payment of Bonds ........................................................................................................................................22
Section 5.03. Against Encumbrances .......................................................................................................................................................22
Section 5.04. Power to Issue Bonds and Make Pledge and Assignment ............................................................................................................22
Section 5.05. Accounting Records and Financial Statements ..................................................................................................................22
Section 5.06. No Additional Parity Debt ....................................................................................................................................................22
Section 5.07. Tax Covenants .................................................................................................................................................................23
Section 5.08. Further Assurances ...........................................................................................................................................................26
# TABLE OF CONTENTS  
(continued)  

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.09</td>
<td>Amendment of Installment Purchase Agreement</td>
<td>26</td>
</tr>
<tr>
<td>5.10</td>
<td>Enforcement of Installment Purchase Agreement</td>
<td>26</td>
</tr>
<tr>
<td>5.11</td>
<td>Continuing Disclosure</td>
<td>26</td>
</tr>
</tbody>
</table>

**ARTICLE VI THE TRUSTEE AND PAYING AGENT**  

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.01</td>
<td>Duties, Immunities and Liabilities of Trustee</td>
<td>26</td>
</tr>
<tr>
<td>6.02</td>
<td>Right of Trustee to Rely upon Documents, Etc</td>
<td>29</td>
</tr>
<tr>
<td>6.03</td>
<td>Trustee Not Responsible for Recitals</td>
<td>30</td>
</tr>
<tr>
<td>6.04</td>
<td>Right of Trustee to Acquire Bonds</td>
<td>31</td>
</tr>
<tr>
<td>6.05</td>
<td>Moneys Received by Trustee to be Held in Trust</td>
<td>31</td>
</tr>
<tr>
<td>6.06</td>
<td>Compensation and Indemnification of Trustee</td>
<td>31</td>
</tr>
<tr>
<td>6.07</td>
<td>Qualifications of Trustee</td>
<td>31</td>
</tr>
<tr>
<td>6.08</td>
<td>Resignation and Removal of Trustee and Appointment of Successor Trustee</td>
<td>32</td>
</tr>
<tr>
<td>6.09</td>
<td>Acceptance of Trust by Successor Trustee</td>
<td>33</td>
</tr>
<tr>
<td>6.10</td>
<td>Merger or Consolidation of Trustee</td>
<td>33</td>
</tr>
<tr>
<td>6.11</td>
<td>Obligations of Trustee</td>
<td>33</td>
</tr>
<tr>
<td>6.12</td>
<td>Appointment of Co-Trustee</td>
<td>33</td>
</tr>
<tr>
<td>6.13</td>
<td>Paying Agent for Bonds</td>
<td>34</td>
</tr>
<tr>
<td>6.14</td>
<td>Resignation or Removal of Paying Agent; Appointment of Successor</td>
<td>35</td>
</tr>
</tbody>
</table>

**ARTICLE VII MODIFICATION AND AMENDMENT OF THE INDENTURE**  

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.01</td>
<td>Amendment Hereof</td>
<td>35</td>
</tr>
<tr>
<td>7.02</td>
<td>Effect of Supplemental Agreement</td>
<td>37</td>
</tr>
<tr>
<td>7.03</td>
<td>Endorsement or Replacement of Bonds After Amendment</td>
<td>37</td>
</tr>
<tr>
<td>7.04</td>
<td>Amendment by Mutual Consent</td>
<td>37</td>
</tr>
</tbody>
</table>

**ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES**  

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.01</td>
<td>Events of Default</td>
<td>37</td>
</tr>
<tr>
<td>8.02</td>
<td>Remedies Upon Event of Default</td>
<td>38</td>
</tr>
<tr>
<td>8.03</td>
<td>Application of Pledged Revenues and Other Funds After Default</td>
<td>38</td>
</tr>
<tr>
<td>8.04</td>
<td>Power of Trustee to Control Proceedings</td>
<td>39</td>
</tr>
<tr>
<td>8.05</td>
<td>Appointment of Receivers</td>
<td>39</td>
</tr>
<tr>
<td>8.06</td>
<td>Non-Waiver</td>
<td>39</td>
</tr>
<tr>
<td>8.07</td>
<td>Rights and Remedies of Bond Owners</td>
<td>39</td>
</tr>
<tr>
<td>8.08</td>
<td>Termination of Proceedings</td>
<td>40</td>
</tr>
</tbody>
</table>

**ARTICLE IX MISCELLANEOUS**  

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.01</td>
<td>Limited Liability of Authority</td>
<td>40</td>
</tr>
<tr>
<td>9.02</td>
<td>Benefits of Indenture Limited to Parties</td>
<td>41</td>
</tr>
<tr>
<td>9.03</td>
<td>Discharge of Indenture</td>
<td>41</td>
</tr>
<tr>
<td>9.04</td>
<td>Successor Is Deemed Including in All References to Predecessor</td>
<td>41</td>
</tr>
<tr>
<td>9.05</td>
<td>Content of Certificates</td>
<td>41</td>
</tr>
<tr>
<td>9.06</td>
<td>Execution of Documents by Bond Owners</td>
<td>42</td>
</tr>
<tr>
<td>9.07</td>
<td>Disqualified Bonds</td>
<td>42</td>
</tr>
<tr>
<td>9.08</td>
<td>Determination of Percentage of Bond Owners; Exclusion of Bonds</td>
<td>43</td>
</tr>
<tr>
<td>9.09</td>
<td>Waiver of Personal Liability</td>
<td>43</td>
</tr>
<tr>
<td>9.10</td>
<td>Partial Invalidity</td>
<td>43</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS (continued)

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.11</td>
<td>Destruction of Cancelled Bonds</td>
<td>43</td>
</tr>
<tr>
<td>9.12</td>
<td>Funds and Accounts</td>
<td>43</td>
</tr>
<tr>
<td>9.13</td>
<td>Recording and Filing</td>
<td>43</td>
</tr>
<tr>
<td>9.14</td>
<td>Payment on Business Days</td>
<td>44</td>
</tr>
<tr>
<td>9.15</td>
<td>Notices</td>
<td>44</td>
</tr>
<tr>
<td>9.16</td>
<td>Payments of Bonds; Unclaimed Moneys</td>
<td>44</td>
</tr>
<tr>
<td>9.17</td>
<td>Governing Law</td>
<td>45</td>
</tr>
<tr>
<td>9.18</td>
<td>Execution in Counterparts</td>
<td>45</td>
</tr>
<tr>
<td>9.19</td>
<td>Consent of Parties</td>
<td>45</td>
</tr>
<tr>
<td>9.20</td>
<td>Headings</td>
<td>45</td>
</tr>
</tbody>
</table>

EXHIBIT A – Form of Bonds........................................................................................................A-1
EXHIBIT B – Form of Requisition............................................................................................B-1
INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this “Indenture”), made and entered into as of October 1, 2018, by and among the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA, a water replenishment district formed and existing under the laws of the State of California (the “District”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, having a corporate trust office in Los Angeles, California, as trustee (the “Trustee”); W I T N E S S E T H:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated August 6, 2015, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of financing and refinancing the Authority’s acquisition of public capital improvements of the District to provide financing and refinancing for the District’s public capital improvements; and

WHEREAS, the Authority has approved the issuance of its Replenishment Assessment Revenue Bonds, Series 2018 (the “Bonds”) to assist the District in providing funds (i) to finance the acquisition, construction, and installation of certain capital improvement projects of the District (the “Improvements”), and (ii) to pay related costs of issuance; and

WHEREAS, the Authority has authorized the execution and delivery of this Indenture and will direct the Trustee to issue the Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture as a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:
ARTICLE I
DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified. In addition, all terms defined in Section 1.1 of the Installment Purchase Agreement and not otherwise defined in this Section 1.01 shall have the respective meanings given such terms in the Installment Purchase Agreement.

“Act” means Article 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Delivery Date or as thereafter amended from time to time.

“Authority” means the Water Replenishment District of Southern California Financing Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of August 6, 2015 (the “Joint Powers Agreement”), by and between the District and the California Municipal Finance Authority.

“Authorized Authority Representative” means any member of the Board of Directors of the Authority, the Executive Director of the Authority, or any other person designated as an Authorized Authority Representative by a certificate signed by a member of the Board and filed with the Trustee.

“Authorized District Representative” means the President of the Board of Directors of the District, the Secretary of the Board of Directors of the District, the General Manager of the District and the Chief Financial Officer of the District and any person or persons designated as an Authorized District Representative by a Written Request signed by the President of the Board of Directors of the District, the Secretary of the Board of Directors of the District, the General Manager of the District or the Chief Financial Officer of the District and delivered to the Trustee.

“Authorized Denominations” means $5,000 and any integral multiple thereof.

“Authorized Officer of the Trustee” means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee.

“Beneficial Owner” shall have the meaning set forth in Section 2.11 hereof.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means Nixon Peabody LLP and any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as in existence on the Delivery Date or as thereafter amended from time to time.
“Bond Register” means the records of the Trustee for the registration and transfer of Bonds, as described in Section 2.07.

“Bonds” means the $__________ aggregate principal amount of Water Replenishment District of Southern California Financing Authority Replenishment Assessment Revenue Bonds, Series 2018 authorized by and at any time outstanding pursuant to the Bond Law and this Indenture.

“Bond Year” means any twelve-month period commencing on August 2 in a year and ending on the next succeeding August 1, both dates inclusive; except that the first Bond Year shall commence on the Delivery Date and end on August 1, 2019.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which banks in New York, New York, Los Angeles, California and San Francisco, California, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Certificate of the Authority” means a certificate signed by an Authorized Authority Representative.

“Certificate of the District” means a certificate signed by an Authorized District Representative.

“Code” means the Internal Revenue Code of 1986. Any reference to a provision of the Code shall include the applicable Tax Regulations with respect to such provision.

“Corporate Trust Office” or “Trust Office” means the corporate trust office of the Trustee in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted or such other offices as may be specified to the Authority by the Trustee in writing, initially such office located in St. Paul, Minnesota.

“Costs of Issuance” means all costs or expenses paid or incurred in connection with the preparation, authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, fees and costs for any guaranty, surety bond, letter of credit or other credit facility, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, word processing costs, special counsel and other legal fees and expenses, accounting fees, expenses incurred by the District or the Authority in connection with qualification or registration, or determining the exemption from registration or qualification of the Bonds under the “Blue Sky” laws of any jurisdiction, and fees payable to any other consultants or experts retained in connection with such preparation, authorization, issuance, sale and delivery, and costs of printing.

“Counsel” means an attorney at law, or firm of attorneys, of recognized standing and who are qualified to pass on the legality of the particular matter.

“Defeasance Securities” means

1. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”).

2. Direct obligations of the Treasury which have been stripped by the Treasury itself, including CATS, TIGRS and similar securities.
3. Pre-refunded municipal bonds rated “Aaa” by Moody's and “AAA” by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals.

4. Securities described in paragraph B of the definition of “Permitted Investments.”

5. Securities described in paragraph C of the definition of “Permitted Investments.”

“Delivery Date” means ____________, 2018, being the date of delivery of the Bonds to the original purchasers thereof.

“District” means the Water Replenishment District of Southern California.

“Improvements” means the capital improvements to be financed with the net proceeds of the Bonds, as described in the Installment Purchase Agreement.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.11.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” shall have the meaning set forth in Section 2.11 hereof.

“Event of Default” means any of the events described in Section 8.01.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Fitch” means Fitch Ratings, Ltd., its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the District, with the approval of the Authority, by notice to the Trustee.

“Government Obligations” means direct obligations of the United States of America and securities fully and unconditionally guaranteed by the United States of America, including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury; provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the District, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the District; (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and (c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.
“Information Services” means the Electronic Municipal Market Access system (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; and, in accordance with the then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate in a Certificate of the District delivered to the Trustee.

“Installment Purchase Agreement” means that certain Installment Purchase Agreement between the District and the Authority, dated as of October 1, 2018, as amended or supplemented from time to time.

“Interest Component” means any Purchase Payment, or portion thereof, which is designated and paid as interest pursuant to the terms of the Installment Purchase Agreement.

“Interest Payment Date” means February 1 and August 1 in each year, commencing February 1, 2019.

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the District, with the approval of the Authority, by notice to the Trustee.


“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.07) all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03, and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

“Owner,” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Permitted Investments” means any of the following, to the extent permitted by the laws of the State:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
   Participation certificates
6. Government National Mortgage Association (GNMA or “Ginnie Mae”)
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations
7. U.S. Maritime Administration
   Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing
   notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any
   of the following non-full faith and credit U.S. government agencies (stripped securities
   are only permitted if they have been stripped by the agency itself):
1. Federal Home Loan Bank System
   Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
   Participation Certificates
   Senior debt obligations
3. Federal National Mortgage Association (FNMA or “Fannie Mae”)
   Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or “Sallie Mae”)
   Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations
6. Farm Credit System
   Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940,
   whose shares are registered under the Federal Securities Act of 1933, and having a rating
   by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2,
   including funds for which the Trustee, its parent holding company, if any, or any
   affiliates or subsidiaries of the Trustee or such holding company provides investment
   advisory or other management services.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B)
   above. Such certificates must be issued by commercial banks, savings and loan
   associations or mutual savings banks including the Trustee, its parent holding company
and their affiliates. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF, which may be from or with the Trustee, its parent holding company and their affiliates.

G. Investment Agreements, including GIC’s, Forward Purchase Agreements and Reserve Fund Put Agreements, with providers rated, or guaranteed by guarantors rated, at the time of investment, in the top three categories (without regard to modifiers) by any two or more Rating Agencies.

H. Commercial paper rated, at the time of purchase, “Prime - 1” by Moody's and “A-1” or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories (without regard to modifiers) assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody's and “A-1” or “A” or better by S&P including the Trustee, its parent holding company and their affiliates.

K. Repurchase Agreements which satisfy the following criteria:

Repurchase Agreements provide for the transfer of securities from a dealer bank, financial entity or securities firm (seller/borrower) to the District (buyer/lender) or the Trustee or a third party custodial agent, and the transfer of cash from the District to the dealer bank, financial entity or securities firm with an agreement that the dealer bank, financial entity or securities firm will repay the cash plus a yield to the District in exchange for the securities at a specified date.

1. Repos must be between the District or the Trustee as applicable and a dealer bank or securities firm or other financial entity

   a. **Primary dealers** on the Federal Reserve reporting dealer list which are rated at the time of investment in the top three rating categories (without regard to modifiers) by two or more Rating Agencies, or

   b. **Banks** rated at the time of investment in the top three rating categories (without regard to modifiers) by two or more Rating Agencies, or

   c. **Financial Entities** rated at the time of investment in the top three rating categories (without regard to modifiers) by two or more Rating Agencies.

2. The written repo contract must include the following:

   a. **Securities which are acceptable for transfer** are those securities listed in (A), (B) and (C) above.
b. The term of the repo may be up to 30 days, or greater than 30 days if subject to put or redemption at par to pay project/construction costs and/or debt service on the Bonds.

c. The collateral must be delivered to the District or the Trustee, as applicable, or third party acting as agent for the District or the Trustee before/simultaneous with payment (perfection by possession of certificated securities).

d. **Valuation of Collateral**

   (i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

   (a) The value of collateral must be equal to at least 104% of the amount of cash transferred by the District or the Trustee to the dealer bank or security firm or financial entity under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the District or the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are any of those listed in (C) above, then the value of collateral must equal 105%.

L. U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1+” by S&P and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank.

M. Local Agency Investment Fund of the State of California (“LAIF”), created pursuant to Section 16429.1 of the California Government Code.

“**Pledged Revenues**” means (i) all Purchase Payments payable by the District pursuant to the Installment Purchase Agreement (including prepayments), (ii) any proceeds of Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts established hereunder, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Purchase Payments.

“**Principal Component**” means with respect to a Purchase Payment, the portion thereof which is designated and paid as principal pursuant to the terms of the Installment Purchase Agreement.

“**Principal Payment Date**” means August 1 of each year beginning August 1, 201__.

“**Project Costs**” means the costs or expenses paid or incurred by the District in connection with the acquisition of District Facilities.

“**Purchase Payments**” means the payments so designated in the Installment Purchase Agreement.
“Rating Agency” means each of Moody’s, S&P and Fitch and/or such other nationally recognized securities rating agency selected by the District.

“Record Date” for the Bonds means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.07 for the registration and transfer of ownership of the Bonds.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the District, with the approval of the Authority, by notice to the Trustee.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attn. Call Notification Department, Fax-(212) 855-7232, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority or the District may designate in a Certificate of the Authority or a Written Request of an Authorized District Representative, as applicable, delivered to the Trustee.

“Series” shall mean all Bonds designated by descriptive title or otherwise as a series and prepared and issued in a simultaneous transaction, and any Bonds thereafter prepared and issued in lieu of or in exchange or substitution for such Bonds, pursuant to the provisions of this Indenture, regardless of variations in maturity, interest rate or other provisions.

“State” means the State of California.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of Section 7.01.

“Tax Certificate” shall mean the Tax and Nonarbitrage Certificate, executed and delivered by the Authority and the District on the Delivery Date, as amended or supplemented from time to time.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Section 103 and Sections 141 through 150, inclusive, of the Code.

“Trustee” means U.S. Bank National Association and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI.

“Written Request” means a written instrument signed by an Authorized District Representative or an Authorized Authority Representative, as the case may be.

Section 1.02. Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Section or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such
Section 1.04. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Section 1.05. Conditions Precedent Satisfied. Each party hereto represents that all acts, conditions and things required of it by law to exist, happen and be performed by it precedent to and in connection with the execution and entering into of this Indenture have happened and have been performed in regular and due time, form and manner as required by law, and each party hereto represents that it is now duly empowered to execute and enter into this Indenture.

Section 1.06. Exhibits. The following Exhibits are attached to and by this reference made a part of this Indenture:

Exhibit A: Form of Bonds.

Exhibit B: Form of Requisition.

ARTICLE II

ISSUANCE OF THE BONDS

Section 2.01. Terms of the Bonds.

(a) Generally. The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the “Water Replenishment District of Southern California Financing Authority Replenishment Assessment Revenue Bonds, Series 2018” and shall be issued in the original aggregate principal amount of _________________________ Thousand Dollars ($_____________).

(b) Terms of Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall be dated their date of delivery, and shall mature on August 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:
<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>(August 1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such owner as it appears on the Registration Books as of the preceding Record Date; provided, however, that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request (any such written request shall remain in effect until rescinded in writing by such Owner). Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity, at the Trust Office of the Trustee. The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Interest with respect to the Bonds shall accrue on overdue principal at the same rate borne by the particular Bonds. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is executed on an February 1 or August 1, in which event interest shall accrue from the date of execution thereof; (b) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (c) it is authenticated on or before January 15, 2019, in which event it shall bear interest from its dated date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or if no interest has been paid, from its dated date.
The Authority and the Trustee may treat the registered owner of any Bond or Bonds as the absolute owner thereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Section 2.02. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on and after August 1, 20___ are subject to redemption at the option of the Authority in whole or in part on any date in integral multiples of $5,000, on or after August 1, 20___, from any source of funds, upon notice as provided in this Indenture, at a price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the Redemption Date, without premium.

(b) Revised Schedule of Purchase Payments. Upon redemption pursuant to Section 2.02(a), the Authority shall provide the Trustee and the District with a revised Exhibit B to the Installment Purchase Agreement reflecting such redemption.

(c) Mandatory Sinking Account Redemption. The Bonds maturing on August 1, 20___ are subject to redemption prior to maturity from mandatory sinking account installments due on August 1 of each of the years set forth in the following table in the respective redemption amounts set forth opposite such years in said table (together with accrued interest thereon), without premium:

<table>
<thead>
<tr>
<th>Bonds maturing August 1, 20___</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redemption Date (August 1)</td>
</tr>
<tr>
<td>Redemption Amount</td>
</tr>
</tbody>
</table>

† Maturity
The Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking account installments due on August 1 of each of the years set forth in the following table in the respective redemption amounts set forth opposite such years in said table (together with accrued interest thereon), without premium:

<table>
<thead>
<tr>
<th>Bonds maturing August 1, 20__</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Redemption Date</strong></td>
</tr>
<tr>
<td>(August 1)</td>
</tr>
</tbody>
</table>

† Maturity

If some but not all of such term Bonds have been redeemed pursuant to Section 2.02(a), the total amount of all future mandatory sinking account installments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking account installments on a pro rata basis in integral multiples of $5,000. The Authority shall provide the Trustee with a revised sinking account installment schedule.

(d) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption, at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the Redemption Date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity or maturities in the event of redemption of all of the Bonds of such maturity or maturities in whole of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Corporate Trust Office for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date and with regard to optional redemption in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date.

Any optional redemption notice given pursuant to this paragraph may be rescinded by a Written Request given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to this Section, but in no event later than the date set for redemption.

(e) Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds (other than redemption from sinking account installments), the District shall select the Bonds to be redeemed to correspond to the Principal Components of Purchase Payments prepaid by the District in accordance with Section 4.6 of the Installment Purchase Agreement and by lot within a maturity; provided, that in the case of any redemption of any Bond, or portion thereof, prior to its maturity, the Trustee shall first select those Bonds previously acquired by the District which
the District has delivered to the Trustee and designated as satisfying Purchase Payments, in lieu of making such redemption, and then the Trustee shall select by lot within a maturity the other Bonds to be redeemed. Any selection of the Bonds by the Trustee shall be binding upon the Owners. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

(f) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date, of Authorized Denominations in aggregate principal amounts equal to the unredeemed portion of the Bond to be redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the principal, interest accrued to the Redemption Date, and premium, if any, and no interest shall accrue thereon from and after the Redemption Date specified in such notice.

All Bonds redeemed in whole or in part pursuant to the provisions of this Article II shall be canceled by the Trustee and destroyed, and the Trustee shall certify in writing as to their destruction.

Section 2.03. Form of Bonds. The Bonds, the form of Trustee’s certificate of authentication, and the form of assignment to appear thereon, shall be in the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.04. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of any Authorized Authority Representative, and shall be delivered to the Trustee for authentication by it. In case any official of the Authority who shall have signed any of the Bonds shall cease to be such official before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such official of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper official although on the nominal date of such Bond such individual shall not have been such official.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A manually executed by the Trustee shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his attorney duly authorized in writing, upon surrender of such Bond for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed by the registered owner or his duly authorized attorney. No service charge shall be made for any transfer of Bonds, but the Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of
printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the District. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of Authorized Denomination or Denominations of like tenor, maturity and aggregate principal amount.

Section 2.06. Exchange of Bonds. The Bonds may be exchanged upon surrender thereof at the Corporate Trust Office of the Trustee for an equal aggregate principal amount of Bonds of other authorized denominations and of the same tenor and maturity. No service charge shall be made for any exchange of Bonds, but the Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the District.

Section 2.07. Registration Books. The Trustee will keep or cause to be kept at its Corporate Trust Office sufficient records for the ownership, registration, transfer, and exchange of the Bonds, which shall at all reasonable times during regular business hours be open to inspection by the Authority, the District and its designated agent or any owner or his agent duly authorized in writing with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as hereinbefore provided.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee at the Corporate Trust Office of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Trustee may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.09. Temporary Bonds. (a) Until definitive Bonds are prepared, the Authority may sign and may direct the Trustee to authenticate, in the same manner as is provided in this Article II, in lieu of definitive Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized hereunder, so long as no such Bond shall have its principal becoming payable in more than one year, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. At the expense of the Authority, the Authority shall prepare and execute and the Trustee shall authenticate and, upon the surrender of such temporary Bonds and the cancellation of such surrendered temporary Bonds, the Trustee shall without charge to the Owner thereof, in exchange therefor, deliver definitive Bonds, of the same principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the
temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds
issued pursuant to this Indenture.

(b) If the Authority shall request the issuance of temporary Bonds in more than one
denomination, the Owner of any temporary Bond or Bonds may, at his option, surrender the same to the
Trustee in exchange for another temporary Bond or Bonds of like principal amount, Series and maturity
of any other authorized denomination or denominations, and thereupon the Trustee shall issue, in
exchange for the temporary Bond or Bonds so surrendered and upon payment of any taxes, fees and
charges provided for herein, a temporary Bond or Bonds of like aggregate principal amount, Series and
maturity in such other authorized denomination or denominations as shall be requested by such owner.

(c) All temporary Bonds surrendered in exchange either for another temporary Bond or
Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee and destroyed, and
the Trustee shall certify in writing as to their destruction.

Section 2.10. Cancellation of Bonds. All Bonds paid, either at or before maturity, shall be
delivered to the Trustee when such payment is made and such Bonds shall thereupon be promptly
cancelled and destroyed, and the Trustee shall certify in writing as to their destruction.

Section 2.11. Book-Entry Only System. DTC shall act as the initial Depository for the
Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered
as set forth herein with a separate fully registered certificate (in printed or typewritten form). Upon initial
execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond
Register kept by the Trustee for the Bonds in the name of Cede & Co., as nominee of DTC or such
nominee as DTC shall appoint in writing.

The representatives of the Authority and the Trustee are hereby authorized to take any and all
actions as may be necessary and not inconsistent with this Indenture to qualify the Bonds for the
Depository’s book-entry system, including the execution of the Depository’s required representation letter
by the Authority.

With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of
DTC, neither the Authority nor the Trustee shall have any responsibility or obligation to any broker-
dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time
(the “DTC Participants”) or to any person for which a DTC Participant acquires an interest in the Bonds
(the “Beneficial Owners”). Without limiting the immediately preceding sentence, neither the Authority
nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of
DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the
delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any
notice with respect to the Bonds, (iii) the payment to any DTC Participant, any Beneficial Owner, or any
other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds, or
(iv) any consent given or other action taken by the Depository as owner of the Bonds.

Except as set forth above, the Authority and the Trustee may treat as and deem DTC to be the
absolute Owner of each Bond for which DTC is acting as Depository for the purpose of payment of the
principal of and interest on such Bonds, for the purpose of giving notices of matters with respect to such
Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes
whatsoever, and the Authority and the Trustee shall not be affected by any notice to the contrary. The
Trustee shall pay all principal of and interest on the Bonds only to or upon the order of the owners as
shown on the Bond Register, and all such payments shall be valid and effective to fully satisfy and
discharge all obligations with respect to the principal of and interest on the Bonds to the extent of the
sums or sums so paid.

No person other than an Owner, as shown on the Bond Register, shall receive a physical Bond. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.05 hereof, references to “Cede & Co.” in this Section 2.11 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Trustee during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The Authority may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners, and the Authority shall mail notice of such termination to the Trustee.

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the Authority determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certificated Bonds, the Bonds shall no longer be restricted to being registered in the Bond Register of the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or name the Owners shall designate at that time, in accordance with Section 2.05.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.05, the Bonds will be delivered to such Beneficial Owners as soon as practicable.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS

Section 3.01. Issuance of Bonds. The Authority is directed to prepare, and upon the execution and delivery of this indenture, the Authority shall execute the Bonds, and the Authority shall deliver the Bonds to the Trustee for authentication and delivery to the original purchasers thereof upon the Request of the Authority.

Section 3.02. Application of Proceeds of Sale of Bonds. In order to induce the District to enter into the Installment Purchase Agreement, and to insure that the Improvements will be available for use, the Authority is entering into this Indenture. Upon the receipt of payment for the Bonds on the Delivery Date, the Authority will cause the Trustee to apply the proceeds of sale thereof ($___________), as follows:

(i) transfer to the Acquisition and Construction Fund, the amount of $___________; and

(ii) transfer to the Costs of Issuance Fund, the amount of $___________.

The Trustee may establish a temporary fund or account in its records to record and facilitate the above transfer and deposits.
Section 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the District with respect to the application of the proceeds of the Installment Purchase Agreement, and the recital contained in the Bonds that the same are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

Section 4.01. Pledge of Revenues; Assignment of Rights. The Bonds shall be secured by a pledge (which shall be effected in the manner and to the extent hereinafter provided), charge and lien upon Pledged Revenues and a pledge of all of the moneys in the Purchase Payment Fund and the Debt Service Fund, including all amounts derived from the investment of such moneys. The Bonds are also secured by (i) all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder; and (ii) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder. The Bonds shall be equally secured by a pledge of, charge and lien upon, the Pledged Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Pledged Revenues and such moneys. So long as any of the Bonds are Outstanding, the Pledged Revenues and such moneys shall not be used for any other purpose; except that out of the Pledged Revenues and such moneys there may be apportioned such sums, for such purposes, as are expressly permitted by this Indenture and the Installment Purchase Agreement.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Pledged Revenues and all of the right, title and interest of the Authority in and to the Installment Purchase Agreement. The Trustee hereby accepts such assignment and transfer; provided, however, that such assignment shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided herein. The Trustee shall be entitled to and shall receive all of the Purchase Payments, and any Purchase Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and, subject to the provisions hereof, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all the rights of the Authority and all of the obligations of the District under the Installment Purchase Agreement.

Section 4.02. Purchase Payment Fund.

(a) There is hereby established with the Trustee a special trust fund for the Bonds, designated as the “Purchase Payment Fund.” The Trustee shall keep the Purchase Payment Fund separate and apart from all other funds and moneys held by it. The Trustee shall deposit in the Purchase Payment Fund the following:

(i) when received, Purchase Payments (including Interest Components and Principal Components) made by the District pursuant to Section 4.2 of the Installment Purchase Agreement;

(ii) when received, moneys transferred from the Costs of Issuance Fund pursuant to Section 4.05 hereof; and
(iii) all other moneys received by the Trustee under and pursuant to the provisions of the Installment Purchase Agreement which are required to be or which are accompanied by directions that such moneys are to be paid into the Purchase Payment Fund.

(b) On the last Business Day prior to each Interest Payment Date, the Trustee shall transfer moneys on deposit in the Purchase Payment Fund to the Debt Service Fund, in the amount specified in Section 4.03 hereof.

Section 4.03. Debt Service Fund. There is hereby established with the Trustee a special trust fund for the Bonds, designated as the “Debt Service Fund.” The Trustee shall keep the Debt Service Fund separate and apart from all other funds and moneys held by it. Within the Debt Service Fund, there are hereby established the Interest Account and the Principal Account. The Trustee shall deposit in the Debt Service Fund the following:

(a) **Interest Account.** On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

(b) **Principal Account.** On or before each Interest Payment Date, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds maturing or to be redeemed on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal amount of the Bonds maturing or to be redeemed on such Interest Payment Date.

The Trustee shall give notice to the Authority and the District not later than five days after any failure to pay scheduled principal or interest with respect to the Bonds on any Interest Payment Date.

Section 4.04. [Reserved]

Section 4.05. Costs of Issuance Fund. There is hereby established with the Trustee a special trust fund for the Bonds designated as the Costs of Issuance Fund. The Trustee shall keep the Costs of Issuance Fund separate and apart from all other funds and moneys held by it. Costs of Issuance shall be paid from amounts on deposit in the Costs of Issuance Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition, in substantially the form attached hereto as Exhibit B, signed by an Authorized District Representative stating with respect to each payment to be made: (1) the sequential requisition number, (2) the name and address of the person, firm, corporation or agency to which payment is due or has been made, (3) the amount to be paid, (4) identification of the item to which such payment is to be applied, and (5) that each obligation mentioned therein is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous withdrawal from the Costs of Issuance Fund. In addition, each requisition shall have attached a copy of each invoice, statement or other billing documentation for which payment is claimed. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On June 30, 2016, or the earlier determination of the
Section 4.06. Acquisition and Construction Fund. There is hereby established with the Trustee a special trust fund for the Bonds designated as the “Acquisition and Construction Fund.” The Trustee shall keep the Acquisition and Construction Fund separate and apart from all other funds and moneys held by it. The Trustee shall pay Project Costs from amounts on deposit in the Acquisition and Construction Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition, in substantially the form attached hereto as Exhibit B, signed by an Authorized District Representative stating with respect to each payment to be made: (1) the sequential requisition number, (2) the name and address of the person, firm, corporation or agency to which payment is due or has been made, (3) the amount to be paid, (4) identification of the item to which such payment is to be applied, and (5) that each obligation mentioned therein is a proper charge against the Acquisition and Construction Fund and has not been the basis of any previous withdrawal from the Acquisition and Construction Fund. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon the District's determination that all Project Costs have been paid in full, any amount remaining in the Acquisition and Construction Fund shall be transferred by the Trustee to the Purchase Payment Fund, in accordance with a Written Request of the District and the Trustee shall close the Acquisition and Construction Fund.

Section 4.07. Deposits of Money. All moneys held by or deposited with the Trustee under the provisions of this Indenture shall be held in trust and applied only in accordance with the provisions of this Indenture, and the funds and accounts established by this Indenture shall be a trust fund for the purposes thereof. All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

Section 4.08. Investments.

(a) All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of an Authorized District Representative given to the Trustee in advance of the making of such investments and promptly confirmed in writing, as to any such direction given by facsimile. Each such written direction shall contain the representation of the Authorized District Representative that the investments identified therein constitute Permitted Investments hereunder. In the absence of any such direction from the District, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

(b) All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Request of the Authority. The Trustee may (but shall not be obligated to) act as principal or agent in the acquisition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

(c) Moneys in the Debt Service Fund shall be invested and reinvested by the District and the Trustee, respectively, to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such accounts and in any event not later than the final maturity of the Bonds, with respect to accrued interest.
on the Bonds, if any. The Trustee shall make all such investments of moneys held by it in accordance with instructions, confirmed in writing, received from an Authorized District Representative.

(d) If the District enters into one or more interest rate swap agreements corresponding to the interest payable with respect to the Bonds or any portion thereof, the amounts received by the District, if any, pursuant to such a swap agreement may be applied to the deposits required hereunder.

(e) Nothing in this Indenture shall prevent any Government Obligations acquired as investments of funds held under the Indenture from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

(f) Except as otherwise provided in this Indenture, the Trustee shall sell or present for prepayment or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized District Representative to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any account held by it. In lieu of such sale or presentment for prepayment, the Trustee may, in making the payment or transfer from any account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto at its acquisition cost if such investment obligations shall mature or be collectable at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment. The Trustee shall hold all investments in its name as Trustee or in any nominee name of the Trustee. The Authority and the District each acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District or Authority the right to receive brokerage confirmations of security transactions as they occur, the District and Authority specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District and Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee or its affiliate may act as principal or agent in the acquisition or disposition of any investment in accordance herewith and shall be entitled to its customary charges therefor.

(g) Any investment of moneys in any fund established under this Indenture may be purchased from or through, or sold to, the Trustee or any affiliate of the Trustee, and any such investment made through the purchase of shares in a fund described in the definition of Permitted Investments may be in a fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee received fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates.

Section 4.09. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account established hereunder, the value of investments credited to such fund or account shall be calculated at the par amount thereof, or any other valuation established by prior agreement between the Authority and the Trustee. Obligations purchased as an investment of moneys in any fund or account or subaccount created under the provisions of this Indenture shall be deemed at all times to be a part of such fund or account or subaccount and any profit realized from the liquidation of such investment and any income or interest received on account of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to, such fund, account or subaccount.
ARTICLE V

COVENANTS OF THE AUTHORITY, THE TRUSTEE AND THE CITY

Section 5.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Pledged Revenues and the funds and accounts pledged for such payment as provided in this Indenture.

Section 5.02. Extension of Payment of Bonds. Neither the Authority nor the Trustee shall directly or indirectly extend or assent to the extension of the payment dates of any of the Purchase Payments, the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 5.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Pledged Revenues and the funds and accounts pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 5.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Purchase Payments, the Installment Purchase Agreement and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Purchase Payment and other assets and all the rights of the Bond Owners under this Indenture against all claims and demand of all persons whomsoever.

Section 5.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Purchase Payment and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the District, during regular business hours with reasonable prior notice.

Section 5.06. No Additional Parity Debt. Except for the Bonds and as permitted under the Installment Purchase Agreement, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Pledged Revenues in whole or in part.
Section 5.07. Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

“Computation Date” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Gross Proceeds” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Bonds.

“Investment” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of the Bonds.

“Rebate Amount” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Tax Regulations” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“Yield” of

(i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(ii) the Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The Authority and the District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Authority shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority and the District shall at all times prior to the payment and cancellation of the last Bond to be paid and canceled:

(i) use its best efforts to ensure that the District exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by
any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the jurisdiction of the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority and the District shall not use Gross Proceeds of any Bond to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (a) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (b) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (c) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause any Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority and the District shall not at any time prior to the final maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such Bond within the meaning of said section 148.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority and the District shall not take or omit to take any action that would cause any Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The Authority shall timely file any information required by section 149(e) of the Code with respect to the Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(i) The Authority and the District shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Bond is discharged. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of the Bonds with its other money, provided that the Authority separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Authority and the District shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Trustee may rely conclusively upon the Authority’s and the
District’s determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations hereunder. The Authority and the District shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority and the District, jointly and severally but without duplication, shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, 100% of the Rebate Amount on such date; and (B) in the case of any other Computation Date, 90% of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Authority at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority.

(iv) The Authority and the District shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (i) and (ii) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within 180 days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority and the District shall not, at any time prior to the final maturity of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm’s length and had the Yield on the Bonds not been relevant to either party.

(j) Bonds Not Hedge Bonds.

(i) The Authority and the District each represents that the none of the Bonds are or will become “hedge bonds” within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above, (I) on the date of issuance of the Bonds, the Authority reasonably expects that at least 85% of the spendable proceeds of the Bonds will be expended within the three-year period commencing on such date of issuance, and (II) no more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) Elections. The Authority hereby directs and authorizes any Authorized Authority Representative and the District hereby directs and authorizes any Authorized District Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Authority Representative or Authorized District Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Bonds, in the Tax Certificate relating to the Bonds or similar or other appropriate certificate, form or document.
Section 5.08. Further Assurances. The Authority will adopt, make, execute and deliver or cause to be executed and delivered any and all other and further documents, resolutions, instruments and assurances and promptly do or cause to be done all such other and further things as may be necessary or reasonably required to carry out the purposes or intentions or to facilitate the performance of this Indenture, and for preserving and protecting the rights and interests of the Owners.

Section 5.09. Amendment of Installment Purchase Agreement. The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Installment Purchase Agreement except (a) to the extent such amendment, alteration or modification shall cure an ambiguity, supply an omission, or cure or correct a defect or inconsistent provision therein, (b) to the extent such amendment, alteration or modification shall insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent with the Indenture, (c) if, in the opinion in writing of Bond Counsel addressed to the Trustee, such amendment, alteration or modification does not materially adversely affect the rights of the Owners of the Bonds, or (d) with the written consent of the Owners of a majority in aggregate principal of the Bonds then outstanding, exclusive of issuer-owned Bonds. Any such written consent shall be obtained in the manner provided herein for amendments to the Indenture. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an opinion in writing of Counsel addressed to the Trustee stating that such amendment, alteration or modification has been duly and lawfully entered into by the parties thereto, is authorized or permitted by this Indenture and is valid and binding upon the parties thereto in accordance with its terms. For purposes of this Indenture, no change or revision of Exhibit B made pursuant to Section 4.6 or 9.7 of the Installment Purchase Agreement shall constitute an amendment, alteration or modification of the Installment Purchase Agreement.

Section 5.10. Enforcement of Installment Purchase Agreement. The Trustee as assignee of the Authority’s rights pursuant to Section 4.01, shall promptly collect all amounts due from the District pursuant to the Installment Purchase Agreement and, subject to the provisions hereof, shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all the rights of the Authority thereunder and for the enforcement of all the obligations of the District thereunder. The District agrees to make all payments relating to the Bonds required by the Installment Purchase Agreement directly to the Trustee.

Section 5.11. Continuing Disclosure. The Authority and the Trustee acknowledge that pursuant to Section 5.6 of the Installment Purchase Agreement, the District shall undertake the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, and the Authority and the Trustee shall have no liability to the Holders or Owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, failure of the District to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default hereunder or under the Installment Purchase Agreement.

ARTICLE VI

THE TRUSTEE AND PAYING AGENT

Section 6.01. Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a
prudent person would exercise or use under the circumstances in the conduct of such person’s own affairs.

The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Without limiting the duties of the Trustee stated above, during the existence of any Event of Default hereunder (which has not been cured) and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provisions hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture.

At all times, regardless of whether or not any Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by an Authorized Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining and/or failing to ascertain the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of Outstanding Bonds representing not less than a majority in aggregate principal amount of Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture; and

(3) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the owners pursuant to the provisions of this Indenture, including, without limitation, the provisions of Article VI hereof, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to, any Event of Default or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default unless the Trustee shall have actual knowledge of such event or shall have been notified in writing of such event by the District, the Authority or the owners of a majority of the Bonds Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the District of the terms, conditions, covenants or agreements set forth in Article III or V of the Installment Purchase Agreement (including, without limitation, the covenants of the District set forth in Sections 5.1 through 5.10 of the Installment Purchase Agreement), other than the covenants of the District to make payments with respect to the Purchase Payments when due as set forth in Section 4.2 of the Installment Purchase Agreement.

No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall
determine to make such further inquiry or investigation, it shall be entitled to examine the books, records
and premises of the Authority, personally or by agent or attorney.

The Trustee shall not be responsible for:

(1) the application and handling by the District of any other fund or account designated to be
    held by the District hereunder or under the Installment Purchase Agreement; or

(2) any error or omission by the Authority in making any computation or giving any
    instruction pursuant to Section 5.07 hereof and may rely conclusively on the rebate instructions and any
    computations or instructions furnished to it by the Authority in connection with the requirements of
    Section 5.07 and the Tax Certificate.

The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any
covenants, agreements or obligations on the part of the District or the Authority under the Installment
Purchase Agreement or this Indenture except as set forth herein, but the Trustee may require of the
District or the Authority full information and advice as to the observance or performance of those
covenants, agreements and obligations.

Whether or not therein expressly so provided, every provision of this Indenture relating to the
conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions
of this Article VI.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its
own funds or otherwise incur individual financial liability in the performance of any of its duties or in the
exercise of any of its rights or powers if there shall be reasonable grounds for believing that the
repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to
it.

Every provision of this Indenture that in any way relates to the Trustee is subject to all the
paragraphs of this Article.

The Trustee may execute any of the trusts or powers hereof and perform any of its duties by and
through attorneys, agents, receivers or employees but shall not be answerable for the conduct of the same
if selected with reasonable care, and shall be entitled to advice of counsel concerning all matters of trusts
hereof and duties hereunder, and may in all cases pay such reasonable compensation or any attorney,
agent, receiver or employee retained or employed by it in connection herewith. The Trustee may act upon
the opinion or advice of an attorney, surveyor, engineer or accountant selected by it in the exercise of
reasonable care or, if selected or retained by the District or the Authority, approved by the Trustee in the
exercise of such care. The Trustee shall not be responsible for any loss or damage resulting from any
action or nonaction based on its good faith reliance upon such opinion or advice.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be
construed as a duty.

The Trustee may become the Owner of Bonds secured hereby with the same rights which it
would have if not the Trustee.

The Trustee shall be protected in acting upon any requisition, notice, request, consent, certificate,
order, affidavit, letter or other paper or document believed in good faith to be genuine and correct and to
have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to
this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon such owner and all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof or on registration or transfer thereof.

At any reasonable time after reasonable notice has been provided, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right (but no duty or obligation) fully to inspect any and all of the property herein conveyed, and to take such memoranda from and with regard thereto as may be desired provided no undue interruption results therefrom.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee acts upon such instructions, the Trustee’s understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the District agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Bond Owners pursuant to the provisions of this Indenture unless such Bond Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

From the effective date of this Indenture, the Trustee, or any successor in interest, shall not be considered in breach of or in default in its obligations with respect to any obligations created hereunder or progress in respect thereto, in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God, or of the public enemy, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation and unusually severe weather or delays of supplies or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Section 6.02. Right of Trustee to Rely upon Documents, Etc. Except as otherwise provided in Section 6.01 hereof:

(a) the Trustee may conclusively rely and shall be fully protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, certificate or
other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and shall not be bound to investigate the facts of matters stated therein, but, in the discretion of the Trustee, may make such further inquiry or investigation as to such facts or matters as it deems appropriate;

(b) any notice, request, direction, election, order or demand of the Authority or the District mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Authority or of the District by an Authorized Authority Representative or an Authorized District Representative, respectively;

(c) the Trustee may consult with Counsel (who may be counsel for the Authority or the District) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such Counsel; and

(d) whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized District Representative or an Authorized Authority Representative, as appropriate; and such certificate shall be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof.

The Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, by the Trustee deemed desirable with respect to the withdrawal of any cash under this Indenture, or the taking of any other action by the Trustee.

The Trustee may, but shall be under no duty to, require of the District or the Authority full information and advice as to the performance of the covenants, conditions and agreements in this Indenture. However, the Trustee shall have no obligation to perform any of the duties of the District or the Authority under this Indenture.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

The Trustee’s rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

Section 6.03. Trustee Not Responsible for Recitals. The recitals contained herein and in the Bonds shall be taken as the statements of the Authority and the District, and the Trustee assumes no responsibility for the validity or correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Bonds or as to the sufficiency of the Pledged Revenues or the priority of any lien thereon, or as to the financial or technical feasibility of the District Facilities or any portion thereof and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly provided herein. The Trustee shall not be accountable for the use or application of any of the Bonds delivered hereunder or of the proceeds of such Bonds except as expressly provided herein.
Section 6.04. Right of Trustee to Acquire Bonds. The Trustee and its officers and directors may acquire and hold, or become the pledgee of, Bonds and otherwise deal with the Authority and the District in the manner and to the same extent and with like effect as though it were not the Trustee hereunder.

Section 6.05. Moneys Received by Trustee to be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other trust funds except to the extent specifically required by this Indenture or required by law. The Trustee shall be obligated to invest all moneys received by it hereunder in accordance with Section 4.08 hereof. Any interest allowed on any such moneys shall be deposited in the account to which such moneys are credited.

Section 6.06. Compensation and Indemnification of Trustee. The Authority covenants to cause the Trustee to be paid from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee pursuant to the separate agreement entered into between the Authority and the Trustee, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Authority will cause the Trustee to be paid or reimbursed, upon request of the Trustee for all expenses and disbursements incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ, but excluding any fees, expenses and disbursements incurred in connection with the appointment of a separate trustee or co-trustee, which shall be paid by the Trustee). The Authority also covenants to indemnify the Trustee, its directors, officers and employees for, and to hold each of them harmless against, any loss, liability, expense (including reasonable legal fees and expenses) or advance incurred or made without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with (i) the acceptance or administration of this Indenture and the trust created under this Indenture and the trust created under this Indenture, (ii) the condition, management, maintenance or use of or from any work or thing done in connection with the District Facilities by the Authority, (iii) any act of negligence or willful misconduct of the District or the Authority or any of their agents, contractors, employees, invitees, licensees or officers in connection with the District Facilities, (iv) the delivery or sale of the Bonds and the carrying out of any of the transactions contemplated by the Bonds, this Indenture or the Installment Purchase Agreement; and (v) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document utilized in connection with the delivery or sale of the Bonds including the fees, costs and expenses of defending itself against any claim of liability. The obligations of the Authority under this Section 6.06 and Section 6.13 hereof to cause the Trustee to be compensated for services and to be paid or reimbursed for expenses, disbursements and liabilities shall constitute additional obligations hereunder. Such additional obligations shall have priority over the Bonds in respect of all property and funds held or collected by the Trustee as such, except funds held by the Trustee for the benefit of the Owners of particular Bonds and except funds held in the Purchase Payment Fund. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all obligations secured hereby may have been fully paid and satisfied and this Indenture may have been released and discharged and the resignation or removal of the Trustee.

Section 6.07. Qualifications of Trustee. There shall at all times be a trustee hereunder which shall be a bank, national banking association, corporation or trust company organized and doing business under the laws of the United states or any of the states of the United States, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority and, if required by law, qualified to do business in the State. Any successor Trustee to U.S. Bank National
Association shall have a combined capital and surplus of at least $50,000,000. If such bank, national banking association, corporation or trust company publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.07, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. For purposes of this Section 6.07, a bank, national banking association or trust company shall be considered to have a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 if it is a wholly-owned subsidiary of a corporation having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and such corporation guarantees in writing the performance of such bank, national banking association, corporation or trust company of its obligations hereunder. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.07, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.08 hereof.

Section 6.08. Resignation and Removal of Trustee and Appointment of Successor Trustee.

(a) The Trustee may at any time resign by giving written notice to the Authority and by giving to the Owners of the Bonds notice by mail of such resignation. Upon receiving such notice of resignation, the Authority, at the direction of the District (which direction shall not be unreasonably withheld), shall promptly appoint a successor trustee by an instrument in writing executed by an Authorized Authority Representative. If no successor trustee shall have been so appointed and shall have accepted appointment within 60 days after the mailing of such notice of resignation, the resigning trustee may at the expense of the Authority petition any court of competent jurisdiction for the appointment of a successor trustee, or any Owner may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case any of the following shall occur --

(1) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.07 hereof and shall fail to resign after written request therefor by the Authority or by any owner who has been a bona fide Owner of a Bond for at least six months,

(2) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or substantially all of its property shall be appointed, or any public officer shall take charge or control of the Trustee or substantially all of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or

(3) at such time as there is no Event of Default hereunder, the District shall determine to remove the Trustee,

then, in any such case, the Authority, with the written approval of the District (which approval shall not be unreasonably withheld), may remove the Trustee and appoint a successor trustee by an instrument in writing executed by an Authorized Authority Representative, or any such Owner may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Owners of Outstanding Bonds representing a majority in aggregate principal amount of Outstanding Bonds may at any time remove the Trustee and appoint a successor trustee by an instrument or concurrent instruments in writing signed by such Owners.
Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 6.08 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 6.09 hereof.

Section 6.09. Acceptance of Trust by Successor Trustee. Any successor Trustee appointed as provided in Section 6.08 hereof shall execute, acknowledge and deliver to the Authority, to the District and to its predecessor Trustee an instrument accepting such appointment hereunder, to which instrument the predecessor Trustee shall be a party, effectively releasing the predecessor Trustee of its obligations hereunder and containing such terms and conditions as the predecessor Trustee may reasonably request, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Authority executed by an Authorized Authority Representative or of the District executed by an Authorized District Representative or on the request of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the trustee so ceasing to act. Upon request of any such successor Trustee, the Authority shall execute any and all instruments in writing necessary or desirable for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and duties.

No successor Trustee shall accept appointment as provided in this Section 6.09 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 6.07 hereof. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Upon acceptance of appointment by a successor Trustee as provided in this Section 6.09, notice of the succession of such Trustee to the trusts hereunder shall be given by the successor Trustee by first class mail to each Rating Agency, as applicable, having a rating in effect for the Bonds.

Section 6.10. Merger or Consolidation of Trustee. Any entity into which the Trustee may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Trustee shall be a party, or any entity succeeding to the business of the Trustee, or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible under the provisions of Section 6.07 hereof.

Section 6.11. Obligations of Trustee. Upon payment in full of all Bonds within the meaning of Section 9.03 hereof, the Trustee shall execute any certificate which the Authority or the District may reasonably request to evidence payment in full of the Purchase Payments under the terms of the Installment Purchase Agreement.

Section 6.12. Appointment of Co-Trustee. (a) It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Installment Purchase Agreement, and in particular in case of the enforcement of either of default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold...
title to the properties, in trust, as herein granted, or take any other action which may be desirable or
necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or
institution as a separate trustee or co-trustee. The following provisions of this Section are adapted to
these ends.

(b) In the event that the Trustee appoints an additional individual or institution as a separate
trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity,
estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or
conveyed to the Trustee with respect thereto shall be exercisable by and shall vest in such separate trustee
or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such
powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such
separate trustee or co-trustee shall run to and be enforceable by either or both of the Trustee and such
separate trustee or co-trustee.

c) Should any instrument in writing from the Authority be required by the separate trustee
or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or
it such properties, right, powers, trusts, duties and obligations, any and all such instruments in writing
shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee
or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the
estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so
far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new
trustee or successor to such separate trustee or co-trustee.

(d) Any appointment by the Trustee of an individual or institution as a separate trustee or co-
trustee shall be made only with the prior written consent of the Authority, which consent shall not be
unreasonably withheld, or upon court order.

Section 6.13. Paying Agent for Bonds. The Trustee is hereby appointed as the paying agent
(the “Paying Agent”) for the Bonds.

The Paying Agent shall perform such duties and only such duties as are specifically authorized
and provided in this Indenture and in exercising such duties shall be entitled to the immunities and
standard of care applicable to the Trustee.

The Authority covenants to cause the Paying Agent to be paid from time to time, and the Paying
Agent shall be entitled to, reasonable compensation for all services rendered by it pursuant to the
agreement entered into between the Authority and the Paying Agent, subject to the provisions of
Section 6.06 hereof, in the exercise and performance of any of the powers and duties hereunder of the
Paying Agent, which compensation shall not be limited by any provision of law in regard to the
compensation of a trustee of an express trust, and the Authority will cause the Paying Agent to be paid or
reimbursed, upon request of the Paying Agent for all expenses and disbursements incurred or made by the
Paying Agent in accordance with any of the provisions of this Indenture (including the reasonable
compensation and the expenses and disbursements of its counsel and of all persons not regularly in its
employ) except any such expense or disbursement as may arise from its own negligence or willful
misconduct. The Authority also covenants to indemnify the Paying Agent for, and to hold it harmless
against, any loss, liability, expense (including reasonable legal fees and expenses) or advance incurred or
made without negligence or willful misconduct on the part of the Paying Agent, arising out of or in
connection with the acceptance or administration of the duties and obligations of the Paying Agent
established under this Indenture, including the costs and expenses of defending itself against any claim of
liability in the premises.
In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there is no successor, to the Trustee.

Section 6.14. Resignation or Removal of Paying Agent; Appointment of Successor. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days written notice to the Trustee and the Authority. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee. Any successor Paying Agent shall be appointed by the Authority, at the direction of the District and shall be a bank, corporation or trust company duly organized under the laws of the United States or any state or territory thereof, having a capital stock and surplus aggregating at least $10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THE INDENTURE

Section 7.01. Amendment Hereof. This Indenture and the rights and obligations of the Authority, of the owners of the Bonds and of the Trustee may be modified or amended at any time by a Supplemental Indenture which shall become binding upon its execution and delivery by the Authority and the Trustee, without consent of any Bond Owners, to the extent permitted by law but only:

(a) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements hereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of this Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(d) to amend any provision hereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Code, in the opinion of Bond Counsel; or

(e) if, in the opinion in writing of Bond Counsel, such amendment or modification does not materially adversely affect the rights of the Owners of the Bonds.

Except as set forth in the preceding paragraph of this Section 7.01, this Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any
time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (determined in accordance with Section 9.08) are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Whenever a modification or amendment requires the consent of the Owners and the Trustee, the Authority may at any time enter into a Supplemental Indenture making a modification or amendment permitted by the provisions of this Section 7.01 to take effect when and as provided in this Section 7.01. A copy of such supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to owners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to the Owners (but failure to mail such copy and request shall not affect the validity of the supplemental Indenture when consented to as in this Section 7.01 provided). Such Supplemental Indenture shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of Owners of the percentages of outstanding Bonds specified in this Section 7.01 and (ii) an opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully entered into by the parties thereto and filed with the Authority, the District and the Trustee in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Owner, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 9.06 hereof. A certificate or certificates executed by the Trustee and filed with the District and the Authority stating that it has examined such proof and that such proof is sufficient in accordance with Section 9.06 hereof shall be conclusive that the consents have been given by the owners of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Owner of the Bonds giving such consent and, anything in Section 9.06 hereof to the contrary notwithstanding, upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof). At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Authority and the District a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, a notice stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in this Section 7.01, shall be given to owners by the Trustee at the expense of the Authority by mailing such notice to Owners (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as in this Section 7.01 provided). The Trustee shall file with the Authority and the District proof of the mailing of such notice. A record, consisting of the certificates or statements required or permitted by this Section 7.01 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Authority, the District and the Trustee and the Owners of all Bonds at the expiration of forty (40) days after the filing by the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee, the Authority and the city during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action,
or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

**Section 7.02. Effect of Supplemental Agreement.** From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**Section 7.03. Endorsement or Replacement of Bonds After Amendment.** After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Corporate Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then outstanding, upon surrender of such Outstanding Bonds.

**Section 7.04. Amendment by Mutual Consent.** The provisions of this Article VII shall not prevent any Bond owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond.

**ARTICLE VIII**

**EVENTS OF DEFAULT AND REMEDIES**

**Section 8.01. Events of Default.** The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds, other than as referred to in the preceding clauses (a) and (b), for a period of sixty (60) days, after written notice, specifying such failure and requesting that it be remedied has been given to the Authority, by the Trustee; provided, however, that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of
competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

(e) The occurrence of any Event of Default under the Installment Purchase Agreement.

Section 8.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the owners of a majority in aggregate principal amount of the Bonds at the time outstanding (determined in accordance with Section 9.08), and upon being indemnified to the Trustee’s satisfaction, shall, upon notice in writing to the Authority and the District, pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture; provided, that, such remedies shall not include any remedy of acceleration.

If an Event of Default shall have occurred and be continuing and if requested so to do by the owners of a majority in aggregate principal amount of Outstanding Bonds (determined in accordance with Section 9.08) and indemnified as provided in Section 6.01, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power occurring upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Section 8.03. Application of Pledged Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture or held in any fund or account established by this Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VIII and incurred in and about the performance of its powers and duties under this Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,
Section 8.04. Power of Trustee to Control Proceedings.

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding (determined in accordance with Section 9.08), it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Section 8.05. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Pledged Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.06. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Pledged Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Section 8.07. Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any
remedy under or upon this Indenture, the Installment Purchase Agreement or the Bonds, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding (determined in accordance with Section 9.08) shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (determined in accordance with Section 9.08).

Such notification, request, tender of indemnity and refusal and omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the outstanding Bonds.

The right of any owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Pledged Revenues, and the funds and accounts pledged or assigned under this Indenture, for the payment of principal of or interest on the Bonds, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Pledged Revenues, and the funds and accounts pledged or assigned under this Indenture, or otherwise from amounts payable under the Installment Purchase Agreement). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Pledged Revenues and other funds as in this Indenture provided. Neither the general fund of the Authority nor the general fund of the District is liable, and the credit of the Authority and the District is not pledged, for the payment of the
interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the
right to compel the forfeiture of any property of the Authority or the District. The principal of and
interest on the Bonds shall not be a legal or equitable pledge, charge, lien or encumbrance upon any
property of the Authority or upon any of the Authority’s or District’s income, receipts or revenues except
the Pledged Revenues and other funds pledged to the payment thereof as in this Indenture provided.

Section 9.02. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed
or implied, is intended to give to any person other than the Authority, the Trustee, the District and the
Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants,
stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be
for the sole and exclusive benefit of the Trustee, the District and the Owners of the Bonds.

Section 9.03. Discharge of Indenture. If the Authority shall pay and discharge any or all of
the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of, and the interest and
premium (if any) on, such Bonds as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which,
together with the available amounts then on deposit in the funds and accounts established with the Trustee
pursuant to this Indenture and the Installment Purchase Agreement, is fully sufficient to pay such Bonds,
including all principal, interest and premium (if any); or

(c) by irrevocably depositing with the Trustee in trust or an escrow agent, in irrevocable
escrow. Defeasance Securities in such amount as Bond Counsel or an Independent Accountant shall
determine will, together with the interest to accrue thereon and available moneys then on deposit in the
funds and accounts established with the Trustee pursuant to this Indenture and the Installment Purchase
Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all
principal and interest) at or before their respective maturity dates;

then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been
surrendered for payment, the pledge of the Pledged Revenues and other funds provided for in this
Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under this
Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the
Authority to pay or cause to be paid to the owners of such Bonds not so surrendered and paid all sums due
thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee.
Any funds held by the Trustee following any payment or discharge of the outstanding Bonds pursuant to
this Section 9.03, which are not required for said purposes and the payment of the fees and expenses of
the Trustee, shall be paid over to the Authority.

Section 9.04. Successor Is Deemed Including in All References to Predecessor. Whenever
in this Indenture or any Supplemental Indenture the Authority is named or referred to, such reference
shall be deemed to include the successor and assignee to the powers, duties and functions, with respect to
the management, administration and control of the affairs of the Authority, that are presently vested in the
Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of
the Authority shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

Section 9.05. Content of Certificates. Every certificate with respect to compliance with a
condition or covenant provided for in this Indenture shall include (a) a statement that the person or
persons making or giving such certificate have read such covenant or condition and the definitions herein
relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon
which the statements or opinions contained in such certificate are based; (c) a statement that, in the
opinion of the signers, they have made or caused to be made such examination or investigation as is
necessary to enable them to express an informed opinion as to whether or not such covenant or condition
has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or
covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it
relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer
knows that the certificate or opinion or representations with respect to the matters upon which his
certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have
known that the same were erroneous. Any such certificate or opinion or representation made or given by
counsel may be based, insofar as it relates to factual matters, on information with respect to which is in
the possession of the Authority, or upon the certificate or opinion of or representations by an officer or
officers of the Authority, unless such counsel knows that the certificate or opinion or representations with
respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are
erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 9.06. Execution of Documents by Bond Owners. Any request, consent or other
instrument required by this Indenture to be signed and executed by Bond Owners may be in any number
of concurrent writings of similar tenor and may be signed or executed by such Bond Owners in person or
by their attorneys duly appointed in writing. Proof of the execution of any such request, consent or other
instrument or of a writing appointing any such attorney, shall be sufficient for any purpose of this
Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner
provided in this Section 9.06, or in any other manner satisfactory to the Trustee, which may nevertheless
in its discretion require further or other proof in cases where it deems the same desirable.

The fact and date of the execution by any person of any such request, consent or other instrument
or writing may be proved by the affidavit of a witness of such execution, by a guarantee of the signature
thereon by a bank or trust company or by the certificate of any notary public or other officer of any
jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person
signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent or vote
of the owner of any Bond shall bind every future owner of the same Bond and the Owner of any Bond
issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the
Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand,
request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond
Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair
and reasonable for the purpose of obtaining any such action.

Section 9.07. Disqualified Bonds. In determining whether the Owners of the requisite
aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver
under this Indenture, Bonds which are owned or held by or for the account of the District or the Authority
(but excluding Bonds held in any employees retirement fund) shall be disregarded and deemed not to be
outstanding for the purpose of any such determination; provided, however, that for the purpose of
determining whether the Trustee shall be protected in relying on any such demand, request, direction,
consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. At
the time of any consent or other action taken under this Indenture, the Authority and the District shall
furnish the Trustee a certificate of an Authorized Authority Representative and Authorized District
Representative, upon which the Trustee may rely, describing all Bonds so to be excluded.
Section 9.08. Determination of Percentage of Bond Owners; Exclusion of Bonds. Whenever in this Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the outstanding Bonds determined as of the next succeeding Interest Payment Date.

Section 9.09. Waiver of Personal Liability. No officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section 9.10. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed severable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.11. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the Trustee of any Bonds pursuant to the provisions of this Indenture, the Trustee shall promptly cancel and destroy such Bonds and shall certify in writing as to such destruction.

Section 9.12. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the form of multiple funds, accounts or subaccounts therein. Notwithstanding any other provision in this Indenture, the Trustee shall only be required to open new funds or accounts when it receives, or is notified that it will receive, funds or moneys to be deposited and maintained in such funds or accounts.

Section 9.13. Recording and Filing. The Authority shall file, record, register, renew, refile and rerecord all documents as may be required by law in order to maintain the Installment Purchase Agreement and this Indenture, in such manner, at such times and in such places as required and to the extent permitted by law in order to fully perfect, preserve and protect the rights and interests of the owners.
Section 9.14. Payment on Business Days. Whenever in this Indenture any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest shall cease to accrue as of such day.

Section 9.15. Notices. Any notice, certificate, request, complaint, demand or other communication under this Indenture shall be in writing and shall be sufficiently and shall be deemed given when delivered or mailed by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Water Replenishment District of Southern California Financing Authority
4040 Paramount Boulevard
Lakewood, California 90712
Attention: Executive Director
Telephone: (562) 921-5521
Facsimile: (562) 921-6101

If to the District: Water Replenishment District of Southern California
4040 Paramount Boulevard
Lakewood, California 90712
Attention: General Manager
Telephone: (562) 921-5521
Facsimile: (562) 921-6101

If to the Trustee: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services
Telephone: (213) 615-6002
Facsimile: (213) 615-6199

Section 9.16. Payments of Bonds; Unclaimed Moneys. (a) If and when the principal and interest on the Bonds issued pursuant hereto shall become due and payable in accordance with their terms, all amounts payable to the Trustee and the Paying Agent have been paid and the whole amount of the principal and interest due and payable on all of the Bonds shall have been paid or set aside for payment with the Trustee or a Paying Agent, then and in that case, the right, title and interest of the Trustee under this Indenture shall thereupon cease, terminate and become void, and the Trustee shall convey all property, other than money held by the Trustee or paying Agent for the payment of unpresented Bonds, and interest therein which it obtained under this Indenture free and clear of all liens thereon which the Trustee may have.

(b) Anything in this Indenture to the contrary notwithstanding, subject to the laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the principal and interest on the Bonds which remain unclaimed for one year after the date when such payments have become due and payable, if such moneys were held by the Trustee at such date, or for one year after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and
payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 9.17. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 9.18. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 9.19. Consent of Parties. Whenever the consent or approval of any party to this Indenture is required by the terms of this Indenture, the consent or approval of such party shall not be unreasonably withheld.

Section 9.20. Headings. Headings preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Indenture or affect its meaning, construction or effect.
IN WITNESS WHEREOF, the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY and the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA have each caused this Indenture to be signed in its name by the officers identified below, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY

By ____________________________
   Executive Director

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

By ____________________________
   General Manager

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ____________________________
   Authorized Officer
EXHIBIT A

FORM OF BONDS

No. $_____

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange or payment and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA.

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
FINANCING AUTHORITY
Replenishment Assessment Revenue Bond, Series 2018

INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:

August 1, ____ ______________, 2018

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay (but only out of the Pledged Revenues and other moneys and securities hereinafter referred to) to the registered owner identified above or registered assigns (the “Registered Owner”), on the maturity date identified above, the principal amount identified above in lawful money of the United States of America; and to pay interest thereon at the rate of interest identified above in like money semiannually on each February 1 and August 1, commencing ________ 1, 201__ (each, an “Interest Payment Date”) until payment of such principal amount in full. This Bond shall bear interest from the Interest Payment Date next preceding the date of authentication hereof (unless this Bond is executed on February 1 or August 1, in which event interest shall accrue from the date of execution hereof, or unless this Bond is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to ________ 15, 201__, in which event it shall bear interest from the dated date hereof; provided, however, that if, as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid, or made available for payment or if no interest has been paid, from the dated date hereof). Capitalized terms employed herein which are not defined herein shall have the same meanings as in the Indenture of Trust, dated as of __________
1, 2018 (the “Indenture”), by and among the Authority, the Water Replenishment District of Southern California (the “District”) and U.S. Bank National Association, as trustee (the “Trustee”), or the Installment Purchase Agreement.

The principal amount hereof and premium hereon, if any, is payable upon presentation and surrender hereof at the Corporate Trust Office (the “Trust Office”) of the Trustee, in Los Angeles, California or such other place as designated by the Trustee. Interest hereon is payable by check or draft of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Registered Owner hereof at the address of the Registered owner as it appears on the Registration Books of the Trustee as of the fifteenth calendar day of the month preceding such Interest Payment Date; except that at the written request of the Registered Owner of at least $1,000,000 in aggregate principal amount of outstanding Bonds filed with the Trustee prior to the fifteenth calendar day of the month preceding any Interest Payment Date, interest on such Bonds shall be paid to such Registered Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated the “Water Replenishment District of Southern California Financing Authority Replenishment Assessment Revenue Bonds, Series 2018” (the “Bonds”), limited in principal amount to ___________________ Thousand Dollars ($___________), secured by the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Pledged Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”). The Bonds are special obligations of the Authority and, as and to the extent set forth in the indenture, are payable solely from and secured by a pledge, charge and lien upon the Pledged Revenues, which consist of Purchase Payments to be made by the District under the Installment Purchase Agreement, and certain other moneys and securities held by the Trustee as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Pledged Revenues and such other moneys and securities, and the Pledged Revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest and premium (if any) on the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority or the District. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or the District or upon any of its income, receipts or revenues except the Pledged Revenues and other funds pledged to the payment thereof as in the Indenture provided.

Pursuant to the Installment Purchase Agreement, the District is obligated to make the Purchase Payments solely from Pledged Revenues in the Purchase Payment Fund and moneys held in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture and the Installment Purchase Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The Purchase Payments shall be made in the amounts and at the times set forth in the Indenture. Subject to the Installment Purchase Agreement, the obligations of the District to make the Purchase Payments is absolute and unconditional and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, except that the District shall be obligated to make Purchase
Payments solely from the sources identified above. The Bonds are limited obligations of the Authority, payable solely from and secured by the pledge of Pledged Revenues. Neither the Authority, its members, the State of California, nor any of its political subdivisions shall be directly, indirectly, contingently or morally obligated to use any other moneys or assets to pay all or any portion of the debt service due on the Bonds, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Bonds are not a pledge of the faith and credit of the Authority, its members, the State of California or any of its political subdivisions nor do they constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

The Bonds maturing on and after August 1, 20__ are subject to redemption at the option of the Authority in whole or in part on any date in integral multiples of $5,000, on or after August 1, 20__, from any source of funds, upon notice as provided in this Indenture, at a price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the Redemption Date, without premium.

The Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking account installments due on August 1 of each of the years set forth in the following table in the respective redemption amounts set forth opposite such years in said table (together with accrued interest thereon), without premium:

<table>
<thead>
<tr>
<th>Bonds maturing August 1, 20__</th>
<th>Redemption Date (August 1)</th>
<th>Redemption Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>† Maturity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking account installments due on August 1 of each of the years set forth in the following table in the respective redemption amounts set forth opposite such years in said table (together with accrued interest thereon), without premium:

<table>
<thead>
<tr>
<th>Bonds maturing August 1, 20__</th>
<th>Redemption Date (August 1)</th>
<th>Redemption Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>† Maturity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Bonds are issuable as fully registered Bonds without coupons in denominations of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Trust Office of the Trustee or such other place as designated by the Trustee for an equal aggregate principal amount of Bonds of other authorized denominations and of the same tenor, series and maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such surrender for transfer a new Bond or Bonds, of authorized denomination or denominations, of like tenor, series, maturity and aggregate principal amount will be issued to the transferee in exchange herefor. Except as set forth in the Indenture, the Authority and the Trustee may treat the Registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority and of the Registered Owners of the Bonds and of the Trustee may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Registered Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been manually signed by the Trustee.
IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf by the facsimile signatures of its Treasurer and Secretary, all as of the dated date identified above.

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY

By _________________________________

Authorized Signatory
TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned indenture and registered on the Registration Books.

Dated: _____________, 2018

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By ________________________________
   Authorized Signatory
(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

_____________________________________________________________

(Name, Address and Tax Identification a Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitutes and appoints

_____________________________________________________________

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _______________________

Signature Guaranteed: _______________________

Signature:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature on this assignment must correspond with the name(s) as written on the face of the within registered Bond in every particular without alternation or enlargement or any change whatsoever.
EXHIBIT B

FORM OF REQUISITION

Water Replenishment District of Southern California Financing Authority
Replenishment Assessment Revenue Bonds, Series 2018

REQUISITION FOR DISBURSEMENT

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services

Subject: [COSTS OF ISSUANCE FUND][ACQUISITION AND CONSTRUCTION FUND]
REQUISITION FOR PAYMENT NO. ____

Ladies and Gentlemen:

Pursuant to Section [4.05][4.06] of the Indenture of Trust, dated as of ____________ 1, 2018, by and among the Water Replenishment District of Southern California Financing Authority, the Water Replenishment District of Southern California and you, as Trustee, the undersigned hereby requests payment of the following [Costs of Issuance][Project Costs] (as defined in said Indenture of Trust) to the persons listed on Attachment A hereto.

The undersigned further states that the obligation in the stated amount is an item of [Costs of Issuance][Project Costs] and is a proper charge against the [Costs of Issuance Fund][Acquisition and Construction Fund], and has not been the basis of any previous withdrawal from the [Costs of Issuance Fund][Acquisition and Construction Fund].

Dated: ___________________________ WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

By ______________________________ Authorize District Representative

cc:
### ATTACHMENT A

<table>
<thead>
<tr>
<th>PAYEE NAME AND ADDRESS</th>
<th>PURPOSE</th>
<th>AMOUNT</th>
</tr>
</thead>
</table>

(SEE ATTACHED SUPPORTING DOCUMENTATION)
$\quad$

WATER REPLENISHMENT DISTRICT OF
SOUTHERN CALIFORNIA FINANCING AUTHORITY
REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018

PURCHASE AGREEMENT

\quad___, 2018

Water Replenishment District of Southern California Financing Authority
c/o Water Replenishment District
4040 Paramount Boulevard
Lakewood, California 90712

Water Replenishment District
4040 Paramount Boulevard
Lakewood, California 90712

Ladies and Gentlemen:

Wells Fargo Bank, National Association (the “Representative”), on behalf of itself and FTN Financial Capital Markets and Cabrera Capital Markets, LLC (together, the “Underwriters”), hereby offers to enter into this Purchase Agreement with you, the Water Replenishment District of Southern California Financing Authority (the “Authority”) and the Water Replenishment District (the “District”), for the purchase by the Underwriters and the delivery by the Authority of the Bonds specified below. The proceeds of the Bonds will be used to: (i) finance the acquisition, construction, and installation of certain capital improvement projects of the WRD (collectively, the “Project”) and (ii) pay costs of issuance of the Bonds. This offer is subject to your acceptance prior to 11:59 p.m., Los Angeles time, on the date hereof and if not so accepted will be subject to withdrawal by the Underwriters upon written notice delivered to the District and the Authority at any time prior to the acceptance thereof by the District and the Authority. Upon such acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriters. All terms not defined herein shall have the meanings set forth in the Indenture and the Installment Purchase Agreement (each defined below).

The District and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s length commercial transaction among the District, the Authority and the Underwriters in which the Underwriters are acting solely as a principal and not as an agent of the District or the Authority and the Underwriters are not acting as a municipal advisor, financial advisor or fiduciary to the District or the Authority; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the District or the Authority with respect to the transaction contemplated by this Purchase Agreement and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriters, or any affiliate of the Underwriters have provided other services or is currently providing other services to the District or the Authority on other matters); (iii) the only obligations the Underwriters have to the District and
the Authority with respect to the transaction contemplated by this Purchase Agreement are expressly set forth in this Purchase Agreement; and (iv) the District and the Authority have consulted their own financial and/or municipal legal, accounting, tax and other advisors, as applicable, to the extent the District and the Authority have deemed appropriate.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the $________ aggregate principal amount of the Water Replenishment District of Southern California Financing Authority Replenishment Assessment Revenue Bonds, Series 2018 (the “Bonds”) to be dated the Closing Date (and more fully described in the Official Statement), at a price of $________, being the principal amount of the Bonds, [plus/minus] [net] original issue [premium/discount] of $________, less an Underwriters’ discount of $________.

The Bonds shall mature in the amounts and on the dates, and bear interest at the rates, set forth in Exhibit A hereto. The Bonds shall be as described in and shall be secured under and pursuant to an Indenture of Trust, dated as of October 1, 2018 among the Authority, the District, and U.S. Bank National Association, as trustee (the “Trustee”), substantially in the form previously submitted to the Representative with only such changes therein as shall be mutually agreed upon by the Authority, the Trustee and the Representative.

The obligation of the Authority to pay the principal of and interest on Bonds is a special obligation of the Authority, payable solely from Pledged Revenues (as defined in the Indenture), and certain other amounts held under the Indenture. Pledged Revenues consist primarily of Purchase Payments made by the District pursuant to the Installment Purchase Agreement (as defined below). The principal of and interest on the Bonds are not required to be paid from any other funds of the Authority, including any proceeds of any taxes, and does not constitute a debt or pledge of the faith and credit of the Authority or the State of California (the “State”) or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The District hereby ratifies the use by the Underwriters of the Preliminary Official Statement, dated __________, 2018 relating to the Bonds (together with the cover page and all appendices thereto, and any supplements thereof, the “Preliminary Official Statement”), and authorizes the Underwriters to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the Installment Purchase Agreement, dated as of October 1, 2018, between the Authority and the District (the “Installment Purchase Agreement”), the Continuing Disclosure Agreement as required by Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”), and substantially in the form of Appendix C to the Official Statement, dated as of the date of the Closing (the “Continuing Disclosure Agreement”), between the District and the Trustee, acting as dissemination agent thereunder and this Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the District to the Underwriters in connection with the offer and sale of the Bonds by the Underwriters. The District has heretofore “deemed final” the Preliminary Official Statement within the meaning of Rule 15c2-12.

The District will undertake pursuant to the Continuing Disclosure Agreement to provide certain annual financial and operating information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set
forth in the final Official Statement. This undertaking will be entered into in order to assist the Underwriters in complying with Rule 15c2-12.

2. The Underwriters agree to offer all the Bonds to the public initially at the prices (or yields) set forth on the cover page of the Official Statement of the District pertaining to the Bonds, dated October __, 2018 (the “Official Statement”). Subsequent to the initial public offering of the Bonds, the Underwriters reserve the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “Public Offering” shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold. The Underwriters agree that prior to the time the final Official Statement relating to the Bonds is available, the Underwriters will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

3. The District shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriters to distribute a single copy of each Official Statement to any potential customer of the Underwriters requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The District shall deliver these copies to the Underwriters no later than the earlier of (i) seven (7) business days after the execution of this Purchase Agreement or (ii) one (1) business day prior to the Closing Date in order to permit the Underwriters to comply with Rule 15c2-12 of the Securities and Exchange Commission, and the applicable rules of the Municipal Securities Rulemaking Board (the “MSRB”), with respect to distribution of the Official Statement. The District and Authority shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB’s Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Closing Date to enable the Underwriters to comply with MSRB Rule G-32. The Underwriters shall inform the District in writing of the End Date, and covenants to file the Official Statement with the MSRB on a timely basis.

The Official Statement, as of its date, as of the Closing Date and as of the date of any update, amendment or supplement thereto as required hereby subsequent to the Closing, up to and including the date which is twenty-five (25) days following the end (the “End Date”) of the Underwriting Period (as hereinafter defined), will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

If, after the date of this Purchase Agreement and until the earlier of (i) ninety (90) days after the end of the “underwriting period” (as defined in Rule 15c2-12) (the “Underwriting Period”), or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is available to any person from the MSRB as contemplated by Rule 15c2-12(b)(4), any event shall occur or circumstance shall exist of which the District or the Authority have knowledge that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District or the Authority, as the case may be, shall notify the Underwriters (and for the purpose of this Section provide the Underwriters with such information as
it may from time to time reasonably request), and, if in the opinion of the District, the Authority or the Underwriters such event or circumstance requires the preparation and publication of a supplement or amendment to the Official Statement, the District and the Authority will, at their expense, supplement or amend the Official Statement in a form and manner jointly approved by the District, the Authority and the Underwriters and furnish to the Underwriters a reasonable number of copies of such supplement or amendment provided that the Underwriters promptly agree that they will notify the District and the Authority of the end of the Underwriting Period.

4. At 8:30 a.m., Pacific Time, on October __, 2018, or at such other time or date as shall be agreed upon by the Representative and the District (such time and date being herein referred to as the “Closing Date”), the District will deliver to the Underwriters, at a location or locations to be designated by the Representative, the Bonds in book-entry form (all Bonds having had the CUSIP numbers assigned to them thereon), duly executed by an authorized officer of the Trustee as provided in the Indenture, and the other documents herein mentioned; and the Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this section in immediately available federal funds (such delivery and payment being herein referred to as the “Closing”).

Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of The Depository Trust Company.

5. A. The Representative, on behalf of the Underwriters, agrees to assist the Authority in establishing the issue price of the Bonds and the Representative shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Authority and Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

B. Except as otherwise set forth in Exhibit A attached hereto, the Authority will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Representative shall report to the Authority the price or prices at which the Underwriters have sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Representative agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriters have sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Representative’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, the Authority or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

C. The Representative confirms that the Underwriters have offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the Representative represents that (i) the
10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the Authority and the Representative, on behalf of the Underwriters, agrees that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriters will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

a. the close of the fifth (5th) business day after the sale date; or

b. the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

D. The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and any third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be reasonable periodic intervals or otherwise upon request of the Representative and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Representative shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it
sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

E. The Authority acknowledges that, in making the representation set forth in this section, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires. The Authority further acknowledges that each Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that each Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

F. The Underwriters acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

a. “public” means any person other than an underwriter or a related party;

b. “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

c. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are
corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

d. “sale date” means the date of execution of this Purchase Agreement by all parties.

6. Each Underwriter represents to and agrees with the District and the Authority that, as of the date hereof and as of the Closing Date:

   (i) The Representative is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it;

   (ii) Such Underwriter is in compliance with MSRB Rule G-37 with respect to the District and the Authority, and is not prohibited thereby from acting as the underwriter with respect to securities of the District and the Authority;

   (iii) Such Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with such Underwriter have or has had any such financial advisory relationship; and

   (iv) Such Underwriter has reasonably determined that the undertaking to provide continuing disclosure with respect to the Bonds pursuant to the Continuing Disclosure Agreement is sufficient to effect compliance with Rule 15c2-12.

7. The Authority represents, warrants and covenants to the Underwriters that:

   (a) The Authority is a joint exercise of powers agency duly organized and validly existing pursuant to the laws of the State and has all necessary power and authority to enter into and perform its duties under the Indenture, the Installment Purchase Agreement and this Purchase Agreement (collectively, the “Authority Documents”) and, when executed and delivered by the respective parties thereto, the Authority Documents will constitute the legal, valid and binding obligations of the Authority in accordance with their respective terms.

   (b) Neither the execution and delivery of the Authority Documents, or the approval and execution of the Official Statement or this Purchase Agreement, and compliance with the provisions on the Authority’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law,
administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of the Bonds or the consummation by the Authority of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the Authority, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the Authority Documents or the authority of the Authority to approve this Purchase Agreement, or enter into the Authority Documents or contesting the powers of the Authority to perform its obligations under any of the foregoing or in any way contesting the powers of the Authority in connection with any action contemplated by this Purchase Agreement, or in any way questioning or challenging the tax status of the Bonds.

(e) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the Authority contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 7(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the Authority and the Bonds contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The Authority agrees to cooperate with the Underwriters in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriters may request; provided, however, that the Authority will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign Authority in any jurisdiction where it is not so qualified.

(g) By official action of the Authority prior to or concurrently with the execution hereof, the Authority has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Authority Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Agreement.

(h) The Authority is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.
(i) The Authority is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the Authority or successor of the Authority or with respect to an obligation guaranteed by the Authority as guarantor or successor of a guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the Authority has knowledge, which might or would cause the information relating to the Authority or the Authority’s functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriters, and if, in the opinion of the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriters in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriters, provided all expenses thereby incurred will be paid for by the Authority.

(k) If the information relating to the Authority, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) No consent, approval, authorization or other action by an governmental or regulatory authority that has not been obtained is or will be required of the Authority for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriters.

(m) The Authority will deliver all opinions, Bonds, letters and other instruments and documents reasonably required by the Representative and this Purchase Agreement.

(n) Any certificate of the Authority delivered to the Underwriters shall be deemed a representation and warranty by the Authority to the Underwriters as to the statements made therein.

(o) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing the Authority does not and will not have outstanding any indebtedness which is secured by a lien on the Pledged Revenues superior to or on a parity with the lien of the Bonds thereon.

(p) Between the date of this Purchase Agreement and the date of Closing, the Authority will not, without the prior written consent of the Representative, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent.
(q) The Authority is not presently and as a result of the execution of the Authority Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the State Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the Authority is a party or to which the Authority is bound.

(r) The Authority will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Authority Documents.

8. The District represents, warrants and covenants to the Underwriters that:

(a) The District is a special water replenishment district duly organized under the laws of the State, and has all necessary power and authority to enter into and perform its duties under the Indenture, Installment Purchase Agreement, the Continuing Disclosure Agreement and this Purchase Agreement (collectively, the “District Documents”) and, when executed and delivered by the respective parties thereto, the District Documents will constitute the legal, valid and binding obligations of the District in accordance with their respective terms.

(b) Neither the execution and delivery of the District Documents, or the approval and execution of the Official Statement, and compliance with the provisions on the District’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the District Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the Bonds or the consummation by the District of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the District, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the District to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the District Documents or the authority of the District to approve this Purchase Agreement, or enter into the District Documents, or in any way questioning or challenging the tax status of the Bonds.

(e) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the District, the Bonds and the Project contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in
Section 8(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the District, the Bonds and the Project contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The District agrees to cooperate with the Underwriters in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriters may request; provided, however, that the District will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified.

(g) By official action of the District prior to or concurrently with the execution hereof, the District has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in the District Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Agreement.

(h) The District is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) The District is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the District or successor of the District or with respect to an obligation guaranteed by the District as guarantor or successor of a guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the District has knowledge, which might or would cause the information relating to the District, the Project or the District’s functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriters, and if, in the opinion of the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriters in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriters, provided all expenses thereby incurred will be paid for by the District.

(k) If the information relating to the Project, the District, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so
supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) The District covenants that it will comply with all tax covenants relating to it in the District Documents, the Tax Certificate of the District and this Purchase Agreement.

(m) The written information supplied by the District to the Underwriters with respect to the financial information relating to the Project is true, correct and complete in all material respects for the purposes for which it was supplied.

(n) No consent, approval, authorization or other action by an governmental or regulatory agency that has not been obtained is or will be required of the District for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except for such licenses, certificates, approvals, variances or permits which may be necessary for the construction or operation of the Project which the District has applied for (or will apply for in the ordinary course of business) and expects to receive, and except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriters.

(o) A portion of the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds) will be used to finance the acquisition and construction of improvements to the Project, and the District will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture, as amended from time to time.

(p) The District will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Representative and this Purchase Agreement.

(q) Any certificate of the District delivered to the Underwriters shall be deemed a representation and warranty by the District to the Underwriters as to the statements made therein.

(r) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing the District does not and will not have outstanding any indebtedness which is secured by a lien on the Net Revenues superior to or on a parity with the lien of the Bonds thereon.

(s) Between the date of this Purchase Agreement and the date of Closing, the District will not, without the prior written consent of the Representative, and except as disclosed in the Official Statement, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent payable from the Net Revenues.

(t) The District is not presently and as a result of the execution of the District Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the State Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the District is a party or to which the District is bound.
(u) The District has not, in the last five years, failed to comply in any material respect in its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 except as disclosed in the Official Statement. The District will undertake, pursuant to the Continuing Disclosure Agreement to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12.

9. The Underwriters have entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the Authority and the District contained herein, and the opinions of Bond Counsel, Counsel to the Trustee, Counsel to the District and Counsel to the Authority required hereby. The Underwriters’ obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At the time of Closing, this Purchase Agreement, the Indenture, the Installment Purchase Agreement and the Continuing Disclosure Agreement (collectively the “Legal Documents”), all as described in the Official Statement, shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the Legal Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriters, and there shall be in full force and effect such resolutions as, in the opinion of Nixon Peabody LLP (herein called “Bond Counsel”), shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriters shall receive the following documents, in each case satisfactory in form and substance to them:

1. The unqualified approving opinion of Bond Counsel, dated the date of Closing, addressed to the Authority, the District and the Underwriters (or a reliance letter to the Underwriters), in substantially the form attached as Appendix D to the Official Statement;

2. A supplemental opinion or opinions and a disclosure opinion of Bond Counsel, dated as of the date of Closing addressed to the Underwriters, in form and substance to the effect that:

   (a) The statements and information contained in the Official Statement on the cover page relating to tax exemption, the description of the Bonds and security for the Bonds, and statements under the captions “INTRODUCTION,” “THE BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “TAX MATTERS” and APPENDICES B, C and D, to the extent they purport to summarize information concerning the Bonds and certain provisions of the Legal Documents and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

   (b) The Bonds are exempt from registration under the Securities Act of 1933, as amended (the “1933 Act”), and the Indenture is exempt from qualification as an Indenture pursuant to the Indenture Act of 1939, as amended; and

   (c) The Purchase Agreement has been duly authorized, executed and delivered by the Authority and the District, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes legal, valid and
binding agreement of the Authority and the District enforceable against each in
accordance with its terms, except as the enforcement thereof may be limited by
bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights
generally and equitable remedies if equitable remedies are sought, and except no
opinion need be expressed as to the enforceability of the indemnification, waiver,
choice of law or contributions provisions contained in the Purchase Agreement.

(d) A negative assurance letter of Nixon Peabody LLP, as
disclosure counsel to the Authority and District ("Disclosure Counsel"), dated as of
the date of Closing Date addressed to the Authority, District and Underwriter, to the
effect that the Preliminary Official Statement as of its date and the Official Statement
as of its date and as of the date of Closing (excluding therefrom financial and
statistical data; forecasts, projections, estimates, assumptions and expressions of
opinions; statements relating to The Depository Trust Company, Cede & Co. and the
book-entry system and statements contained in APPENDIX A and in APPENDIX E
thereto, and with respect to the Preliminary Official Statement, excluding information
permitted to be omitted therefrom by Securities and Exchange Commission Rule
15c2-12, as to all of which we express no view) contained any untrue statement of a
material fact or omitted to state a material fact necessary to make the statements
therein, in the light of the circumstances under which they were made, not
misleading.

(3) An opinion of Leal Trejo, P.C., General Counsel to the District, dated
the date of Closing in form and substance satisfactory to the Underwriters and Bond
Counsel, addressed to the Authority and the Underwriters, to the effect that:

(i) the District is a special water replenishment district created in
accordance with the laws of the State;

(ii) the preparation and distribution of the Official Statement and
the District Documents have been duly approved by the District;

(iii) the resolution of the District approving and authorizing the
execution and delivery of the Official Statement and the District Documents
has been duly adopted at a meeting of the governing body of the District
which was called and held pursuant to law and with all public notice required
by law and at which a quorum was present and acting throughout;

(iv) there is no action, suit, proceeding or investigation at law or in
equity before or by any court, public board or body, pending or, to the best
knowledge of such counsel, threatened against or affecting the District or the
Authority, which would adversely impact the District’s or the Authority’s
ability to complete the transactions described in and contemplated by the
Official Statement, to restrain or enjoin the payments under, or in any way
contesting or affecting the validity of the District Documents, or the
transactions described and defined in the Official Statement wherein an
unfavorable decision, ruling or finding would adversely affect the validity and
enforceability of the District Documents;
(v) the execution and delivery of the District Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject;

(vi) the District Documents and the Official Statement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, the District Documents constitute legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State;

(vii) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State is required for the valid authorization, execution and delivery of the District Documents and the approval of the Official Statement;

(viii) the District charges and fees were duly approved and adopted by the District, and are valid and enforceable at the current levels levied by the District; and

(ix) nothing has come to his attention which would lead him to believe that the information relating to the District or the Project contained in the Official Statement contains an untrue statement or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(4) An opinion of Leal Trejo, P.C., General Counsel to the Authority, dated the date of Closing in form and substance satisfactory to the Underwriters and Bond Counsel, addressed to the District and the Underwriters, to the effect that:

(i) the Authority is a joint powers authority duly organized and validly existing under the laws of the State;

(ii) the preparation and distribution of the Official Statement and the Authority Documents have been duly approved by the Authority;

(iii) the resolution of the Authority approving and authorizing the execution and delivery of the Official Statement and the Authority Documents has been duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;
(iv) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the Authority, which would adversely impact the Authority’s ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the Authority Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the Authority Documents;

(v) the execution and delivery of the Authority Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(vi) the Authority Documents and the Official Statement have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State;

(vii) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State is required for the valid authorization, execution and delivery of the Authority Documents and the approval of the Official Statement;

(viii) nothing has come to their attention which would lead them to believe that the information relating to the Authority contained in the Official Statement contains an untrue statement or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(5) The opinion of counsel to the Trustee, dated the date of Closing in form and substance satisfactory to the Underwriters and Bond Counsel, and addressed to the Authority, the District and the Underwriters, to the effect that:

(i) The Trustee is a national banking association duly organized and validly existing under the laws of the United States.

(ii) The Trustee has duly authorized the execution and delivery of the Indenture.
(iii) The Indenture has been duly entered into and delivered by the Trustee and assuming due, valid and binding authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligations of the Trustee enforceable against the Trustee in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors’ rights generally, or by general principles of equity.

(iv) acceptance by the Trustee of the duties and obligations under the Indenture and compliance with provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which the Trustee is subject.

(v) All approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the performance by the Trustee of its duties and obligations under the Indenture have been obtained and are in full force and effect.

(6) An opinion, dated the date of the Closing and addressed to the Underwriters, of Underwriters’ Counsel, in such form as may be acceptable to the Underwriters.

(7) A certificate, dated the date of Closing, signed by a duly authorized official of the Authority satisfactory in form and substance to the Underwriters and Bond Counsel, (a) confirming as of such date the representations and warranties of the Authority contained in this Purchase Agreement; (b) certifying that the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority at or prior to the Closing under the Authority Documents; and (c) certifying that to the best of such official’s knowledge, no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(8) A certificate or certificates, dated the date of Closing, signed by a duly authorized official of the District satisfactory in form and substance to the Underwriters and Bond Counsel, (a) confirming as of such date the representations and warranties of the District contained in this Purchase Agreement; (b) certifying that the District has complied with all agreements, covenants and conditions to be complied with by the District at or prior to the Closing under the District Documents; (c) certifying that to the best of such official’s knowledge, no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; (d) certifying that no further consent is required to be obtained for the inclusion of the District’s audited
financial statements, including the accompanying accountant’s letter, for Fiscal Year 2017 in the Official Statement; and (e) certifying that the payment by the District of the Installment Payments is on a parity with the obligation of the District to pay installment payments securing the Parity Obligations (as defined in the Official Statement).

(9) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the District deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(10) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the Authority deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(11) Two executed or certified copies of the Legal Documents.

(12) One counterpart original or copy certified by a duly authorized officer of the District of a complete transcript of all proceedings of the District relating to the approval of the District Documents and the authorization, issuance, sale and delivery of the Bonds, together with a certificate dated as of the date of Closing of a duly authorized officer of the District to the effect that each included resolution is a true, correct and complete copy of the one duly adopted by the Board of Directors of the District and that none have been amended, modified or rescinded since adoption (except as reflected in said transcript or as may have been agreed to in writing by the Representative) and is in full force and effect as of the date of Closing.

(13) One counterpart original or copy certified by a duly authorized officer of the Authority of a complete transcript of all proceedings of the Authority relating to the approval of the Authority Documents and the authorization, issuance, sale and delivery of the Bonds, together with a certificate dated as of the date of Closing of a duly authorized officer of the Authority to the effect that each included resolution is a true, correct and complete copy of the one duly adopted by the Board of Directors of the Authority and that none have been amended, modified or rescinded since adoption (except as reflected in said transcript or as may have been agreed to in writing by the Representative) and is in full force and effect as of the date of Closing.

(14) Two executed copies of the Official Statement.

(15) Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of documents such as the Bonds and the Indenture.

(16) Tax certifications by the Authority and the District in form and substance acceptable to Bond Counsel.

(17) A Certificate of the Trustee, dated the Closing Date to the effect that:
(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Indenture;

(ii) Subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture; and

(iii) The Trustee has duly authorized and executed the Indenture.

(18) Evidence from Fitch, Inc. that the Bonds have been rated “___,” evidence from S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC that the Bonds have been rated “____”, and evidence that such ratings continue in effect as of the Closing.

(19) Evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds.

(20) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code.

(21) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Representative and Underwriters’ Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to this Purchase Agreement, the Bonds and the sale thereof, the Legal Documents and the consummation of the transactions contemplated by this Purchase Agreement shall have been approved by the Underwriters, such approval not to be unreasonably withheld.

If the conditions to the Underwriters’ obligations contained in this Purchase Agreement are not satisfied or if the Underwriters’ obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and none of the Underwriters, the District nor the Authority shall have any further obligation hereunder.

10. The Underwriters shall have the right to terminate this Purchase Agreement, without liability therefore, by written notification to the Authority and the District if at any time at or prior to the Closing:

(i) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to
either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein; or

(ii) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the 1933 Act, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(iii) The imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriters; or

(iv) The suspension by the SEC of trading in the outstanding securities of the District; or

(v) The declaration of a general banking moratorium by federal, New York or State authorities, or the general suspension of trading by the New York Stock Exchange, any national securities exchange, or any governmental authority securities exchange; or

(vi) The occurrence of an adverse event in the affairs of the District or the Authority which, in the opinion of the Underwriters, materially impairs the investment quality of the Bonds; or
(vii) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District or the Authority, its property, income or securities (or interest thereon), or the ability of the District to execute the Installment Purchase Agreement or the Authority to issue the Bonds and pledge the Revenues as contemplated by the Indenture and the Official Statement; or

(viii) There shall have occurred any (1) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (2) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities that existed prior to the date hereto; or

(ix) There shall have occurred since the date of this Purchase Agreement any materially adverse change in the affairs or financial position, results of operations or condition, financial or otherwise, of the District or the Authority, other than changes in the ordinary course of business or activity or in the normal operation of the District or the Authority, except as described in the Official Statement; or

(x) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriters, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xi) Any proceeding is pending or threatened by the SEC against the District or the Authority; or

(xii) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xiii) An event described in Section 7(j) or 8(j) hereof shall have occurred which, in the reasonable professional judgment of the Underwriters, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xiv) Any rating of the Bonds or other obligations of the District or the Authority by a national rating agency shall have been withdrawn, or downgraded or placed on negative outlook or negative watch.

11. Performance by the Authority and the District of their respective obligations under this Purchase Agreement is conditioned upon (i) performance by the Underwriters of its obligations
hereunder, and (ii) receipt by the Underwriters of all opinions and certificates to be delivered at
Closing by persons and entities other than the Authority or the District.

12. After the Closing and until the End Date (a) neither the Authority nor the District will
adopt any amendment of or supplement to the Official Statement to which the Underwriters shall
object in writing or which shall be disapproved by the Underwriters, and (b) if any event relating to
or affecting the Authority or the District shall occur as a result of which it is necessary, in the opinion
of the Underwriters, to amend or supplement the Official Statement in order to make the Official
Statement not misleading in the light of the circumstances existing at the time it is delivered to an
initial purchaser of the Bonds, and the Authority will forthwith prepare and furnish to the
Underwriters a reasonable number of copies of an amendment of or supplement to the Official
Statement (in form and substance satisfactory to the Underwriters) which will amend or supplement
the Official Statement so that it will not contain an untrue statement of a material fact necessary in
order to make the statements therein, in the light of the circumstances existing at the time the Official
Statement is delivered to an initial purchaser of the Bonds, not misleading. The costs of preparing
any necessary amendment or supplement to the Official Statement to be utilized until the End Date
shall be borne by the Authority and any costs incurred thereafter incident to amending or
supplementing the Official Statement shall be borne by the Underwriters. For the purposes of this
Section, the Authority will furnish such information with respect to itself as the Underwriters may
from time to time request.

13. (a) The Underwriters shall be under no obligation to pay, and the District or
Authority shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the
performance of the District and Authority’s obligations hereunder, including but not limited to: the
cost of photocopying and delivering the Bonds to the Underwriters; the cost of preparing, printing
(and/or word processing and reproducing), distributing and delivering the District Documents and the
Authority Documents, and the cost of printing, distributing and delivering the Preliminary Official
Statement and the Official Statement in such reasonable quantities as requested by the Underwriters;
the cost of preparation of any “blue sky” or legal investment memoranda; and the fees and
disbursements of Bond Counsel, Disclosure Counsel, any accountants, financial advisors or other
engineers or experts or consultants the District or the Authority have retained in connection with the
Bonds and expenses (included in the expense component of the Underwriters’ spread) incurred on
behalf of the District or Authority officers or employees which are incidental to implementing this
Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment
of those officers or employees.

(b) Whether or not the Bonds are delivered to the Underwriters as set forth
herein, the District shall be under no obligation to pay, and the District and Authority shall not pay,
the fees and disbursements of Underwriters’ Counsel and any expenses incurred by the Underwriters
in connection with its public offering and distribution of the Bonds (except those specifically
enumerated in subsection (a) of this section), including any advertising expenses and the fees of the
California Debt and Investment Advisory Commission.

14. Any notice or other communication to be given to the Underwriters may be given by
delivering the same to Wells Fargo Bank, National Association, Public Finance MAC E2064-058,
333 S. Grand Avenue, 5th Floor, Los Angeles, California 90017. Any notice or other communication
to be given to the Authority or the District may be given by delivering the same to addresses initially
provided herein, Attention: General Manager. The approval of the Representative when required
hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by Wells Fargo Bank, National Association, and delivered to you.

15. This Purchase Agreement is made solely for the benefit of the Authority, the District and the Underwriters (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

16. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which such counterparts shall together constitute but one and the same instrument.

17. The representations and warranties of the District and the Authority set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriters (or statements as to the results of such investigations) concerning such representations and warranties of the District and the Authority and regardless of delivery of and payment for the Bonds.

18. The primary role of the Underwriters, as underwriter, is to purchase the Bonds for resale to investors in an arms-length commercial transaction among the District, the Authority and the Underwriters. The Underwriters, as underwriter, have financial and other interests that differ from those of the District and the Authority.

19. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District, the Authority and the Underwriters and shall be valid and enforceable as of the time of such acceptance.

20. This Purchase Agreement shall be governed by the laws of the State. This Purchase Agreement shall not be assigned by either party hereto.

21. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the District and the Authority and represents the entire agreement of the parties as to the subject matter herein.

22. Any provision of this Purchase Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.
23. This Purchase Agreement shall be governed by the laws of the State.

WELLS FARGO BANK, NATIONAL ASSOCIATION, AS REPRESENTATIVE ON BEHALF OF ITSELF AND FTN FINANCIAL CAPITAL MARKETS AND CABRERA CAPITAL MARKETS, LLC

By: _________________________________
Title: _________________________________

The foregoing is hereby agreed to and accepted as of the date first above written:

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY

By: _________________________________
Authorized Officer

Time of Execution: _____________ p.m. California time

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

By: _________________________________
Authorized Officer

Time of Execution: _____________ p.m. California time
**EXHIBIT A**

$____________

WATER REPLENISHMENT DISTRICT OF
SOUTHERN CALIFORNIA FINANCING AUTHORITY
REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018

<table>
<thead>
<tr>
<th>Maturity (August 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
<th>10% Test Satisfied*</th>
<th>10% Test Not Satisfied</th>
<th>Subject to Hold-The-Offering-Price Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2027</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2029</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2031</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2032</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2037</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2038</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2039</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20____(T)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Term Bond.
* Priced to optional call at par on August 1, 20__.
* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.
EXHIBIT B

$____________
WATER REPLENISHMENT DISTRICT OF
SOUTHERN CALIFORNIA FINANCING AUTHORITY
REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018

FORM OF ISSUE PRICE CERTIFICATE

[TO COME FROM BOND COUNSEL]
PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 15, 2018

Ratings: Fitch: “AA+”
S&P: “AA+”

NEW ISSUE — FULL BOOK-ENTRY ONLY

(See “RATINGS” herein)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the District and described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. See “TAX MATTERS” herein regarding certain other tax considerations.

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY
REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018

Dated: Date of Delivery
Due: August 1, as shown on inside cover

The above-captioned Replenishment Assessment Revenue Bonds, Series 2018 (the “Bonds”) are being issued pursuant to an Indenture of Trust, dated as of December 1, 2018, among the Water Replenishment District of Southern California Financing Authority (the “Authority”), the Water Replenishment District of Southern California (the “WRD” or the “District”) and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued to: (i) finance the acquisition, construction, and installation of certain capital improvement projects of the WRD (collectively, the “Project”), and (ii) pay costs of issuance of the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds are being issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical certificates representing their ownership interests in the Bonds purchased. Purchases will be made in book-entry form only, in denominations of $5,000 principal amount or any integral multiple thereof. Interest on the Bonds will be payable on February 1 and August 1 in each year, commencing February 1, 2019. Payments of principal, premium, if any, and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. So long as Cede & Co. is the registered owner of the Bonds, references herein to Owners or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See “THE BONDS – Description of the Bonds” herein and “APPENDIX E – BOOK-ENTRY ONLY SYSTEM” attached hereto.

The Bonds are secured by, among other things, Pledged Revenues, which consist primarily of Purchase Payments to be made by the WRD under an Installment Purchase Agreement, dated as of December 1, 2018 (the “Installment Purchase Agreement”), between the Authority and the WRD. The Purchase Payments are secured by and payable solely from the Net Revenues (defined herein) transferred to the Senior Obligation Payment Fund (defined herein), subject to application as provided in the Indenture and the Installment Purchase Agreement. The Purchase Payments are secured by Net Revenues on a parity...
basis with certain outstanding Existing Senior Obligations (defined herein). Subject to certain conditions set forth in the Installment Purchase Agreement, the WRD may at any time incur revenue bonds, notes or other evidences of indebtedness of the WRD payable from Net Revenues on parity with or subordinate to the Purchase Payments or other Senior Obligations (defined herein). The Authority will not establish a debt service reserve fund for the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption.”

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF PLEDGED REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA (THE “STATE”), NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DO THEY CONSTITUTE INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains information for general reference only. It is not a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement, including the section entitled “RISK FACTORS,” for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. Capitalized terms used but not defined on the front cover of this Official Statement shall have the meanings set forth herein.

The Bonds are offered when, as and if issued and received by the Underwriters and subject to the approving legal opinion of Nixon Peabody LLP, Los Angeles, California, as Bond Counsel to the Authority. Certain legal matters will be passed upon by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, and by Leal Trejo, P.C., as counsel to the Authority and the WRD. The Underwriters are being represented by their counsel, Kutak Rock LLP, Irvine, California. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December ____, 2018.

Wells Fargo Securities

FTN Financial Capital Markets

Cabrera Capital Markets, LLC
Dated: ____________, 2018

* Preliminary; subject to change.
# MATURITY SCHEDULE

$\text{WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018}$

Base CUSIP®: _________

$\text{___________ Serial Bonds}$

<table>
<thead>
<tr>
<th>Maturity Date (August 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>CUSIP®</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\text{_______} $</td>
<td>$\text{_______} %$</td>
<td>$\text{_______} %$</td>
<td>$\text{_______} %$</td>
</tr>
</tbody>
</table>

$\text{_______} \text{% Term Bonds Due August 1, 20__; Yield – $\text{_______} %$; (CUSIP®: _____)}$

$\text{_______} \text{% Term Bonds Due August 1, 20__; Yield – $\text{_______} %$; (CUSIP®: _____)}$

© CUSIP is a registered trademark of the American Bankers Association (http://www.aba.com/). CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2018 CUSIP Global Services. All rights reserved. CUSIP data herein are provided for convenience of reference only. None of the Authority, the WRD, the Pricing Consultant, or the Underwriters takes any responsibility for the accuracy of the CUSIP data.
The WRD is a special water district located in southern Los Angeles County, California. The WRD was established in 1959 and serves approximately four million people in 43 cities within a 420 square mile area.
BOARD OF DIRECTORS

John D. S. Allen, President
Sergio Calderon, Vice President
Willard H. Murray, Jr., Secretary
Robert Katherman, Treasurer
Vera Robles DeWitt, Director

EXECUTIVE MANAGEMENT OF THE WRD

Robb Whitaker, General Manager
Ken Ortega, Assistant General Manager/Chief Engineer
Theodore Johnson, Chief Hydrogeologist
Scott M. Ota, Chief Financial Officer

SOUTHERN CALIFORNIA WATER REPLENISHMENT FINANCING AUTHORITY

BOARD OF DIRECTORS

John D. S. Allen, Chair
Sergio Calderon, Vice Chair
Willard H. Murray, Jr., Secretary
Robert Katherman, Treasurer
Vera Robles DeWitt, Director

SPECIAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL
Nixon Peabody LLP
Los Angeles, California

PRICING CONSULTANT
Urban Futures Incorporated
Tustin, California

WRD AND AUTHORITY COUNSEL
Leal Trejo, P.C.
Long Beach, California

TRUSTEE
U.S. Bank National Association
Los Angeles, California
For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority and District that has been deemed final by the Authority and District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesperson or other person has been authorized by the Authority, the WRD, or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the WRD, or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of such municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All other information set forth herein has been furnished by the WRD, and includes information obtained from other sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the WRD since the date hereof. See “INTRODUCTION – Forward Looking Statements” herein. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority and the WRD. All summaries of the Indenture, the Installment Purchase Agreement, and other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors and under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) web site. The WRD also maintains a web site. However, the information presented therein is not part of this Official Statement and must not be relied upon in making an investment decision with respect to the Bonds.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>General</td>
<td>1</td>
</tr>
<tr>
<td>The Authority</td>
<td>1</td>
</tr>
<tr>
<td>The WRD</td>
<td>1</td>
</tr>
<tr>
<td>Plan of Finance</td>
<td>2</td>
</tr>
<tr>
<td>The Bonds; Security and Sources of Payment for the Bonds</td>
<td>2</td>
</tr>
<tr>
<td>Bond Holders’ Risks</td>
<td>4</td>
</tr>
<tr>
<td>Tax Matters</td>
<td>4</td>
</tr>
<tr>
<td>Offering and Delivery of the Bonds</td>
<td>4</td>
</tr>
<tr>
<td>Continuing Disclosure</td>
<td>4</td>
</tr>
<tr>
<td>Forward Looking Statements</td>
<td>4</td>
</tr>
<tr>
<td>Professionals Involved in the Offering</td>
<td>5</td>
</tr>
<tr>
<td>Other Information</td>
<td>5</td>
</tr>
<tr>
<td>PLAN OF FINANCE</td>
<td>6</td>
</tr>
<tr>
<td>ESTIMATED SOURCES AND USES OF FUNDS</td>
<td>9</td>
</tr>
<tr>
<td>THE BONDS</td>
<td>9</td>
</tr>
<tr>
<td>Description of the Bonds</td>
<td>9</td>
</tr>
<tr>
<td>Book-Entry System</td>
<td>10</td>
</tr>
<tr>
<td>Redemption</td>
<td>10</td>
</tr>
<tr>
<td>SECURITY AND SOURCES OF PAYMENT FOR THE BONDS</td>
<td>12</td>
</tr>
<tr>
<td>General; Pledged Revenues</td>
<td>12</td>
</tr>
<tr>
<td>Purchase Payments</td>
<td>12</td>
</tr>
<tr>
<td>Aggregate Debt Service of Outstanding Senior Obligations</td>
<td>14</td>
</tr>
<tr>
<td>AGGREGATE DEBT SERVICE OF OUTSTANDING SENIOR OBLIGATIONS</td>
<td>16</td>
</tr>
<tr>
<td>WRD Funds and Accounts; Flow of Net Revenues</td>
<td>17</td>
</tr>
<tr>
<td>Limited Obligation</td>
<td>20</td>
</tr>
<tr>
<td>Rate Covenants</td>
<td>20</td>
</tr>
<tr>
<td>No Debt Service Reserve Fund</td>
<td>20</td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>20</td>
</tr>
<tr>
<td>Other Reserves</td>
<td>21</td>
</tr>
<tr>
<td>Additional Obligations</td>
<td>22</td>
</tr>
<tr>
<td>Insurance</td>
<td>23</td>
</tr>
<tr>
<td>Events of Default and Remedies</td>
<td>24</td>
</tr>
<tr>
<td>THE WRD</td>
<td>24</td>
</tr>
<tr>
<td>General</td>
<td>24</td>
</tr>
<tr>
<td>Statutory Authority</td>
<td>27</td>
</tr>
<tr>
<td>Governance and Management</td>
<td>28</td>
</tr>
<tr>
<td>Employee Relations and Employee Benefits</td>
<td>29</td>
</tr>
<tr>
<td>Insurance</td>
<td>33</td>
</tr>
<tr>
<td>Adjudications of the Basins</td>
<td>34</td>
</tr>
<tr>
<td>Sources of WRD Water</td>
<td>37</td>
</tr>
</tbody>
</table>
# Table of Contents

(continued)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern California’s Water Supply</td>
<td>42</td>
</tr>
<tr>
<td>WRD Water Production</td>
<td>43</td>
</tr>
<tr>
<td>Comparison of the Cost of Groundwater and Imported Water</td>
<td>45</td>
</tr>
<tr>
<td>Five-Year Capital Improvement Program</td>
<td>45</td>
</tr>
<tr>
<td><strong>FINANCIAL INFORMATION OF THE WRD</strong></td>
<td>45</td>
</tr>
<tr>
<td>Replenishment Assessments and Other WRD Revenues</td>
<td>45</td>
</tr>
<tr>
<td>The Economics of the WRD</td>
<td>47</td>
</tr>
<tr>
<td>Financial Statements</td>
<td>48</td>
</tr>
<tr>
<td>Historic Operating Results</td>
<td>48</td>
</tr>
<tr>
<td>Projected Operating Results and Debt Service Coverage</td>
<td>51</td>
</tr>
<tr>
<td>Collection of Replenishment Assessments</td>
<td>53</td>
</tr>
<tr>
<td>Investment of WRD Funds</td>
<td>53</td>
</tr>
<tr>
<td><strong>THE AUTHORITY</strong></td>
<td>53</td>
</tr>
<tr>
<td><strong>CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES</strong></td>
<td>54</td>
</tr>
<tr>
<td>Article XIIIB</td>
<td>54</td>
</tr>
<tr>
<td>Article XIIIC and Article XIIID</td>
<td>55</td>
</tr>
<tr>
<td>Proposition 13</td>
<td>56</td>
</tr>
<tr>
<td>Proposition 26</td>
<td>57</td>
</tr>
<tr>
<td>Future Initiatives</td>
<td>57</td>
</tr>
<tr>
<td><strong>RISK FACTORS</strong></td>
<td>57</td>
</tr>
<tr>
<td>Limitation of Pledged Revenues</td>
<td>57</td>
</tr>
<tr>
<td>Clean Water and Loss of Groundwater Supplies</td>
<td>58</td>
</tr>
<tr>
<td>Pricing and Other Policy Changes Adopted by Other Water Pumpers</td>
<td>58</td>
</tr>
<tr>
<td>Limitations on WRD’s Ability to Increase Replenishment Assessments Between Years</td>
<td>59</td>
</tr>
<tr>
<td>Operation and Maintenance Costs</td>
<td>59</td>
</tr>
<tr>
<td>Collection of Replenishment Assessments</td>
<td>59</td>
</tr>
<tr>
<td>Water Supply and Drought</td>
<td>59</td>
</tr>
<tr>
<td>Seismic Risks and Other Events of Force Majeure</td>
<td>61</td>
</tr>
<tr>
<td>Statutory Changes and Initiatives</td>
<td>61</td>
</tr>
<tr>
<td>Disincorporation</td>
<td>62</td>
</tr>
<tr>
<td>Insurance</td>
<td>62</td>
</tr>
<tr>
<td>Additional Obligations</td>
<td>62</td>
</tr>
<tr>
<td>Limitations on Default Remedies; Bankruptcy</td>
<td>62</td>
</tr>
<tr>
<td>Loss of Tax Exemption and Tax Audit Risk</td>
<td>63</td>
</tr>
<tr>
<td>Absence of Market for the Bonds</td>
<td>63</td>
</tr>
<tr>
<td><strong>TAX MATTERS</strong></td>
<td>63</td>
</tr>
<tr>
<td>Federal Income Taxes</td>
<td>63</td>
</tr>
<tr>
<td>State Taxes</td>
<td>64</td>
</tr>
<tr>
<td>Original Issue Discount</td>
<td>64</td>
</tr>
<tr>
<td>Original Issue Premium</td>
<td>64</td>
</tr>
<tr>
<td>Ancillary Tax Matters</td>
<td>64</td>
</tr>
<tr>
<td>Changes in Law and Post Issuance Events</td>
<td>65</td>
</tr>
<tr>
<td>Section</td>
<td>Page</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>CERTAIN LEGAL MATTERS AND FEES</td>
<td>65</td>
</tr>
<tr>
<td>CONTINUING DISCLOSURE</td>
<td>66</td>
</tr>
<tr>
<td>LITIGATION</td>
<td>66</td>
</tr>
<tr>
<td>AUDITED FINANCIAL STATEMENTS</td>
<td>67</td>
</tr>
<tr>
<td>RATINGS</td>
<td>67</td>
</tr>
<tr>
<td>PRICING CONSULTANT</td>
<td>68</td>
</tr>
<tr>
<td>UNDERWRITING</td>
<td>68</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>69</td>
</tr>
<tr>
<td>APPENDIX A - COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2017 AND 2016</td>
<td></td>
</tr>
<tr>
<td>APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS</td>
<td></td>
</tr>
<tr>
<td>APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT</td>
<td></td>
</tr>
<tr>
<td>APPENDIX D - FORM OF OPINION OF BOND COUNSEL</td>
<td></td>
</tr>
<tr>
<td>APPENDIX E - BOOK-ENTRY ONLY SYSTEM</td>
<td></td>
</tr>
</tbody>
</table>
OFFICIAL STATEMENT

$__________*

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY
REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018

INTRODUCTION

This Introduction does not purport to be complete, but rather is intended only as a brief summary of certain of the terms of the Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. All statements contained in this Introduction, references to, and summaries of, provisions of the Constitution and laws of the State of California (the “State”) and any documents referred to herein are qualified in their entirety by more completed and detailed information contained in the entire Official Statement, including the cover page and appendices hereto (the “Official Statement”), and the documents summarized or described herein. The sale and delivery of the Bonds to potential investors is made only by means of the entire Official Statement.

All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Indenture and the Installment Purchase Agreement (each, as hereinafter defined). See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” hereto.

General

This Official Statement, including the cover page and appendices, is provided to furnish information in connection with the sale by the Water Replenishment District of Southern California Financing Authority (the “Authority”) of its Replenishment Assessment Revenue Bonds, Series 2018 (the “Bonds”) in the aggregate principal amount of $__________*. The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2018 (the “Indenture”), by and among Authority, the Water Replenishment District of Southern California (the “WRD” or the “District”) and U.S. Bank National Association, as trustee (the “Trustee”).

The Authority

The Authority is a joint exercise of powers agency organized under the laws of the State of California (the “State”), and was formed pursuant to that certain Joint Exercise of Powers Agreement dated August 6, 2015 by and between the WRD and the California Municipal Finance Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California. The Authority was specifically formed under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”) for the purposes of (i) assisting the WRD with the financing and refinancing of WRD capital improvement projects, (ii) financing working capital for the WRD, and (iii) to take any and all other actions necessary and appropriate in order to accomplish such public purposes. See “THE AUTHORITY” herein.

The WRD

The WRD is a special water replenishment district that was established in 1959 by popular vote to counteract the effects of over-pumping of groundwater from two major groundwater basins in Los Angeles.

* Preliminary; subject to change.
County (the “County”) commonly known as the Central and West Coast groundwater basins (collectively, the “Basins”). Such over-pumping caused wells to go dry and seawater to intrude into the potable ground water aquifers. The WRD was formed under the provisions of the Water Replenishment District Act (the “Act”), contained in Sections 60000 et seq. of the California Water Code (the “Water Code”). The WRD does not directly serve general retail residential and business customers. General retail residential and business customers are served by the cities and private water companies which are customers (“pumpers”) of the WRD. The cities and other private commercial pumpers pump groundwater from the Basins’ groundwater aquifer and the WRD, among other things, replenishes the groundwater level in the aquifer. The WRD obtains water for replenishment of the Basins’ aquifers from various sources. The WRD also implements a long-range Groundwater Basins Master Plan (the “Master Plan”) for ongoing maintenance of the Basins. The WRD’s service area is located entirely within the County and covers approximately 420 square miles. The Basins are located in the southern portion of the County and is bounded by the Baldwin and Merced Hills to the north, the Orange County line to the east and the Pacific Ocean to the south and west.

A five-member board of directors (the “Board”) governs the WRD. Each director of the Board (each a “Director” and collectively, the “Directors”) represents a division of the WRD (see “THE WRD - Governance and Management” below). Directors serve four-year overlapping terms and are elected at regularly scheduled general elections. The Board acts by adopting resolutions. The management and policies of the WRD are administered by a General Manager appointed by the Board, who is responsible for day-to-day District operations as well as the supervision of the WRD’s other key personnel. Robb Whitaker is currently the WRD’s General Manager.

See “THE WRD” and “FINANCIAL INFORMATION OF THE WRD” herein for more information regarding the WRD generally.

Plan of Finance

The Bonds are being issued by the Authority to: (i) finance the acquisition, construction, and installation of certain capital improvement projects of the WRD (collectively, the “Project”), and (ii) pay costs of issuance of the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds; Security and Sources of Payment for the Bonds

The Bonds are being issued pursuant to the Indenture and the laws of the State, including Article 4 of the JPA Act (the “Bond Law”). The Bonds, when issued, will be special, limited obligations of the Authority, secured by a pledge, charge and lien upon Pledged Revenues (defined below), which consist primarily of Purchase Payments (defined below) to be made by the WRD under an Installment Purchase Agreement, dated as of December 1, 2018 (the “Installment Purchase Agreement”), by and between the Authority and the WRD, and other sources described herein. Pursuant to the Indenture, the Authority will assign and transfer in trust to the Trustee substantially all of its rights in and to the Installment Purchase Agreement, including the right to receive the Purchase Payments thereunder and any and all of the other rights of the Authority under the Installment Purchase Agreement as may be necessary to enforce the payment of such Purchase Payments pursuant to the Installment Purchase Agreement.

Interest on the Bonds will be payable on February 1 and August 1 in each year, commencing February 1, 2019 (each such date, an “Interest Payment Date”). See “THE BONDS” herein. The Bonds will mature on August 1 in each year as set forth on the inside front cover page hereof.
The Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption.”

The Bonds, when delivered, will be in book-entry form and registered in the name of the Cede & Co. as of The Depository Trust Company (“DTC”) in denominations of $5,000 principal amount or any integral multiple thereof.

Pursuant to the Installment Purchase Agreement, the WRD is obligated to make Purchase Payments solely from the Net Revenues (defined below) in the Senior Obligation Payment Fund (defined below), subject to application as provided in the Installment Purchase Agreement. Subject to certain conditions set forth in the Installment Purchase Agreement, the WRD may at any time incur revenue bonds, notes or other evidences of indebtedness of the WRD payable from Net Revenues which are on parity with or subordinate to the Purchase Payments and Senior Obligations (defined below). For a more complete description of the Net Revenues and other debt payable from Net Revenues, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “FINANCIAL INFORMATION OF THE WRD” herein.

The Purchase Payments are secured by Net Revenues on a parity basis with certain outstanding Existing Senior Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Aggregate Debt Service of Outstanding Senior Obligations” herein.

The WRD has covenanted in the Installment Purchase Agreement to the extent permitted by law, to fix, prescribe, levy, impose and collect (a) replenishment assessments upon the production of groundwater from groundwater supplies within the WRD (“Replenishment Assessments”), (b) other charges and fees imposed by the WRD pursuant to the Act, and (c) charges and fees charged by the WRD for the sale, furnishing or supplying of water or other commodities sold, furnished or supplied through the facilities of the WRD or in the conduct of the operations of the WRD that will be at least sufficient to yield during each fiscal year Net Revenues equal to 120% of interest, principal, and redemption premium, if any (altogether, “Debt Service”) on Senior Obligations for such fiscal year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenants” herein.

The Authority will not establish a debt service reserve fund for the Bonds. See “SECURITY FOR THE BONDS – No Debt Service Reserve Fund.”

The Bonds will also be secured by (i) all moneys deposited and held from time to time by the Trustee in certain funds and accounts held under the Indenture, and (ii) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Indenture.

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF PLEDGED REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DO THEY CONSTITUTE INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.
Terms used in this Official Statement and not otherwise defined shall have the meaning given to them in “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” hereto.

Bond Holders’ Risks

Payment of Debt Service on the Bonds depends primarily upon the Revenues derived from operation of the WRD. For more complete information regarding certain risks borne by the WRD and events which could affect the Revenues received by the WRD, see “RISK FACTORS” herein.

Tax Matters

In the opinion of Nixon Peabody LLP, Los Angeles, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded pursuant to Section 103(a) of the Internal Revenue Code of 1986 (the “Tax Code”) from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December ___, 2018 (the “Delivery Date”).

Continuing Disclosure

The WRD will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the WRD and to provide notices of the occurrence of certain listed events, in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). See “LEGAL MATTERS – Continuing Disclosure” herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in “APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement (including the appendices hereto), including, but not limited to (i) statements containing projections of Pledged Revenues and other financial items, (ii) statements of future economic performance of the WRD, and (iii) statements of the assumptions underlying or relating to statements described in (i) and (ii) above, constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the WRD herein.

ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM
ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE AUTHORITY NOR THE WRD PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Nixon Peabody LLP, Los Angeles, California, is acting as Bond Counsel with respect to the Bonds. Certain matters will be passed upon for the WRD and the Authority by Leal Trejo, P.C., as counsel to the Authority and the WRD, and by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel. The Underwriters are being represented by their counsel, Kutak Rock LLP, Irvine, California. Such law firms will receive compensation contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

No dealer, broker, salesperson or other person has been authorized by the Authority or the WRD to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the WRD. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

Certain of the information set forth herein, other than that provided by the Authority or the WRD, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority or the WRD. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the WRD since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Brief descriptions of the Bonds, the Indenture, the Installment Purchase Agreement, the Project, the Authority, and the WRD are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Installment Purchase Agreement and the Constitution and the laws of the State, as well as the proceedings of the Authority and the WRD with respect to the operations thereof and with respect to the Bonds, are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the proceedings of the WRD or the Authority referred to above, the Indenture and other documents described in this Official Statement are available for inspection at the offices of the WRD at: Water Replenishment District, 4040 Paramount Boulevard, Lakewood,
California 90712, telephone: (562) 921-5521. The WRD may impose a charge for copying, mailing and handling.

**PLAN OF FINANCE**

The Bonds are being issued by the Authority to: (i) finance the acquisition, construction, and installation of the Project, and (ii) pay costs of issuance of the Bonds. The Project consists, generally, of the following:

**Water Independence Now (total estimated cost $44,700,000)** – The District’s Water Independence Now (WIN) program is the District’s effort to become completely independent of expensive and unreliable imported water. The effort includes providing advanced treated recycled water to three seawater intrusion barriers as well as additional water replenished at the San Gabriel River and Rio Hondo spreading grounds.

Albert Robles Center for Water Recycling and Environmental Learning (ARC) (estimated cost $25,300,000) - Advanced Water Treatment Facility, along with recycled water turnout structures, will provide 21,000 acre-feet of water starting in December 2018. This facility will complete the District’s Water Independence Now (WIN) initiative to become completely independent of expensive and unreliable imported water.

Leo J. Vander Lans Advance Water Treatment Facility (LVL) Interconnection Pipeline Projects and Onsite Injection Well Storage (estimated cost $19,400,000) – The LVL provides advanced treated water to the Alamitos seawater intrusion barrier (Barrier) by treating tertiary-treated wastewater through a multi-barrier treatment including microfiltration, reverse osmosis and advanced oxidation process with ultraviolet light. Pipeline projects will analyze a potential connection between Long Beach Water Department and the City of Cerritos recycled water distribution system as well as a direct connect pipeline from the Sanitation Districts of Los Angeles County’s Los Coyotes Water Reclamation Plant. As LVL expands production capacity, new wells will be installed to recharge the underlying Central Basin.

Regional Water Independence Now (WIN) Regional Brackish Water Reclamation Program and Dominguez Gap Inland Injection Wells (total estimated cost $2,600,000) – The regional brackish water reclamation program consists of multiple desalter treatment plants, will remove the saline plume in the Silverado Aquifer, located in the West Coast groundwater basin in south Los Angeles County. This project would provide a significant new potable water supply in the West Coast Basin and also reclaim groundwater storage capacity in the basin by removing the brackish plume. Additionally, injection wells inland from the Dominguez Gap Seawater Intrusion Barrier could further replenish water in the West Coast groundwater basin.

Groundwater Basin Management Program (total estimated cost of $2,300,000) – This project will drill new monitoring wells and install flow meter devices in order to continue expanding the Regional Groundwater Monitoring Program (RGMP). The RGMP collects groundwater level and groundwater quality data used for groundwater basin management for the Central Basin and West Coast Basin, two of the most utilized urban groundwater basins in the United States. The Project shall include the capital costs of the construction of new monitoring wells (for regional monitoring and contamination investigations) and additional recycled water compliance at the Montebello Forebay and San Gabriel Spreading Grounds.

Infrastructure Management Projects (total estimated cost of $7,100,000) – The District’s asset management program is building its Supervisory Control and Data Acquisition (SCADA) and centralized data repository for the District’s asset management, Computerized Maintenance Management System (CMMS), Groundwater Monitoring and Modeling System(s) and Geographic Information Systems (GIS).
Centralized information will facilitate the development of reports that show the broad range of activities the District is engaged in, simplify administrative tasks, improve data security, make data management more efficient and maintain the integrity of all the data that the District manages. Project also includes the District’s Energy Management Plan which will plan and implement alternative and renewable energy for the District’s facilities.

**Groundwater Quality Protection and Remediation (total project cost $5,800,000)** – One of the District’s goals is to provide safe and clean water to its users. This project will continue and expand the Safe Drinking Water Program (the “Program”) to construct wellhead treatment facilities to remove contaminants and improve water quality. The Program provides incentives to groundwater producers to pump and treat contaminated groundwater rather than abandoning affected wells.

**Facilities Management (total project cost $10,600,000)** – Project include building a field operations and storage annex facility for fleet vehicle storage, inventory for facilities and additional storage space.

The WRD may determine from time to time in its sole discretion to amend the components of the Project to eliminate any identified projects and/or to include other new projects.

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

**Sources of Funds:**

- Principal Amount of Bonds
- Original Issue Premium/Discount

TOTAL SOURCES

**Uses of Funds:**

- Deposit to Acquisition and Construction Fund
- Costs of Issuance(2)

TOTAL USES

(1) Reflects all costs of issuance, including the Underwriters’ discount and the printing costs, legal fees, the costs and fees of the Pricing Consultant and the Trustee, and other costs of issuing the Bonds.

**THE BONDS**

**Description of the Bonds**

The Bonds are being issued pursuant to the Indenture and the laws of the State, including Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Bonds will be issued in the form of fully registered bonds, without coupons, and in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated their date of delivery and will bear interest at the rates per annum and will mature (subject to the redemption provisions set forth below), on the dates and in the principal amounts, all as set forth on the inside cover page hereof. Interest on the Bonds will be payable from the semiannually on each Interest Payment Date of February 1 and August 1 in each year, commencing February 1, 2019. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Bonds as the same becomes due and payable, shall be transferred by the Trustee to DTC...
(defined herein) for remittance of such principal and interest to DTC Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal office of the Trustee. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Trustee as the registered owner thereof as of the close of business on the 15th calendar day of the month preceding any Interest Payment Date (each, a “Record Date”), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Interest Payment Date to such registered owner at such registered owner’s address as it appears on such registration books or at such address as the registered owner may have filed with the Trustee for that purpose. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least $1,000,000 of outstanding Bonds, who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Interest Payment Date.

Book-Entry System

The Bonds will be registered in the name of Cede & Co., as initial nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as Securities Depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations hereinabove set forth. In the event (i) DTC determines not to continue to act as Securities Depository for the Bonds, or (ii) the Authority determines that continuation of the book entry system is not in the best interest of the Owners, then the Authority will discontinue the book entry system with DTC. The Authority may replace DTC with another qualified Securities Depository. If the Authority fails to identify another qualified Securities Depository to replace DTC, then the Bonds will be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of the Bonds. See “APPENDIX E – BOOK-ENTRY ONLY SYSTEM.”

Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the DTC book-entry system described above, all payments to the Beneficial Owners of the Bonds shall be made in accordance with the procedures described in Appendix E hereto. The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Redemption

Optional Redemption. The Bonds maturing on and after August 1, 20__ are subject to redemption at the option of the Authority in whole or in part on any date in integral multiples of $5,000, on or after August 1, 20__, from any sources of funds, upon notice as provided in the Indenture, at a price equal to the principal amount of the Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Sinking Account Redemption. The Term Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued
interest to the date fixed for redemption, without premium. The principal amount represented by such Term Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

<table>
<thead>
<tr>
<th>Bonds maturing August 1, 20__</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redemption Date (August 1)</td>
</tr>
</tbody>
</table>

† Final Maturity

The Term Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Term Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

<table>
<thead>
<tr>
<th>Bonds maturing August 1, 20__</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redemption Date (August 1)</td>
</tr>
</tbody>
</table>

† Final Maturity

The principal amount to be redeemed in each year shown above will be reduced proportionately or as otherwise directed by the WRD, in integral multiples of $5,000, by any portion of the Term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail) notice of any redemption to the Owners of any Bonds designated for redemption, at their respective addresses appearing on the Registration Books under the Indenture, and to the Securities Depositories and to the Information Services, at least twenty (20) but not more than sixty (60) days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity or maturities in the event of redemption of less than all of the Bonds, and shall require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date, and with regard to optional redemption, in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee
on or prior to the redemption date. Any such notice may be rescinded by the Authority, in which case the Trustee shall notify the Owners of the affected Bonds of such rescission.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of less than all of the Bonds, the Bonds to be redeemed shall be selected to correspond to the Principal Components of the Purchase Payments prepaid by the WRD in accordance with the Installment Purchase Agreement and by lot within a maturity; provided, that in the case of any redemption of any Bond, or portion thereof, prior to its maturity, the Trustee shall first select those Bonds previously acquired by the WRD which the WRD has delivered to the Trustee and designated as satisfying the Purchase Payments, in lieu of making such redemption, and then the Trustee shall select by lot within a maturity the other Bonds to be redeemed. Any selection of such Bonds by the Trustee shall be binding upon the Owners. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond of the same maturity date, of Authorized Denominations in aggregate principal amounts equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the principal, interest accrued to the redemption date, and premium, if any, and no interest shall accrue thereon from and after the redemption date specified in such notice.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General; Pledged Revenues

As described herein, the Bonds are being issued pursuant to the Indenture, by and among the Authority, the WRD and the Trustee. The Bonds, when issued, will be special, limited obligations of the Authority, secured by a pledge, charge and lien upon Pledged Revenues. Pursuant to the Indenture, the Authority transfers in trust and assigns for security purposes to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Pledged Revenues and substantially all of its rights in and to the Installment Purchase Agreement, including the right to receive the Purchase Payments thereunder and any and all of the other rights of the Authority under the Installment Purchase Agreement as may be necessary to enforce the payment of such Purchase Payments pursuant to the Installment Purchase Agreement.

“Pledged Revenues” shall be (i) all Purchase Payments payable by the WRD pursuant to the Installment Purchase Agreement (including prepayments), (ii) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in certain funds and accounts held under the Indenture, (iii) investment income with respect to the funds and accounts held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Purchase Payments.

Purchase Payments

Pursuant to the Installment Purchase Agreement, the Authority will acquire certain WRD assets, generally consisting of the Project, and will simultaneously sell such assets to the WRD. In consideration
for the WRD assets, the WRD will be obligated to make “Purchase Payments” to the Authority or its assignee.

The Purchase Payments consist of (i) Principal Components and (ii) Interest Components in the amounts listed and are payable on the dates listed in the following table:

**SCHEDULE OF PURCHASE PAYMENTS**

<table>
<thead>
<tr>
<th>Purchase Payment Date</th>
<th>Principal Component</th>
<th>Interest Component</th>
<th>Total Purchase Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL
The Purchase Payments will constitute Senior Obligation Payments (defined below) pursuant to the Installment Purchase Agreement and will be payable solely from certain amounts on deposit in the “Senior Obligation Payment Fund,” a separate subaccount of the Revenue Fund (defined below) of the WRD. The Purchase Payments shall be paid on or before each February 1 and August 1 in each year, commencing February 1, 2019 (each such date, a “Purchase Payment Date”) by the WRD’s transfer thereof to the Trustee for deposit in the Purchase Payment Fund.

The obligation of the WRD to make the Purchase Payments required by the Installment Purchase Agreement is absolute and unconditional, and is not to be abated, rebated, set-off, reduced, terminated, diminished or otherwise modified in any manner or to any extent whatsoever while any Purchase Payments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the WRD’s facilities, commercial frustration of purpose, any change in the laws of the United States or the State or any political subdivision of either or the rules or regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, duty, liability or obligation arising out of or connected with the Installment Purchase Agreement or the Indenture. The Installment Purchase Agreement is deemed to constitute a “net contract” pursuant to which the WRD will pay absolutely the full amount of the Purchase Payments and all other payments required thereunder, regardless of any rights of set off, recoupment, abatement or counterclaim the WRD might otherwise have against the Authority, the Trustee or any other party.

The WRD has covenanted in the Installment Purchase Agreement to take such action as may be necessary to include and maintain the Purchase Payments due thereunder in its budget for the appropriate fiscal year or pursuant to a separate resolution of the Board and to make the appropriations necessary for the payment of all such Purchase Payments required under the Installment Purchase Agreement. The performance of this covenant by the WRD is to be deemed and understood under the Installment Purchase Agreement to be a ministerial duty.

THE OBLIGATION OF THE WRD TO MAKE PURCHASE PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT IS PAYABLE SOLELY FROM AMOUNTS HELD IN THE SENIOR OBLIGATION PAYMENT FUND. THE BONDS SHALL NOT IN ANY WAY BE CONSTRUED AS A DEBT OF THE WRD, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, NOR WILL ANYTHING CONTAINED IN THE INSTALLMENT PURCHASE AGREEMENT OR THE INDENTURE BE CONSTRUED AS A PLEDGE OF GENERAL REVENUES, FUNDS OR MONEYS OF THE WRD OR AN OBLIGATION OF THE WRD FOR WHICH THE WRD IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE WRD HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Aggregate Debt Service of Outstanding Senior Obligations

On December 29, 2015, the Authority issued its Replenishment Assessment Revenue Bonds, Series 2015 (the “2015 Bonds”) in the aggregate principal amount of $148,345,000, of which $141,895,000 are currently outstanding. The 2015 Bonds are secured by installment payments to be made by the WRD from Net Revenues pursuant to an Installment Purchase Agreement, dated as of December 1, 2015 (the “2015 Installment Agreement”), by and between the WRD and the Authority.

Furthermore, the WRD and the California State Water Resources Board entered into an Installment Sale Agreement and Grant (the “2016 Installment Agreement,” and together with the 2015 Installment
Agreement, the “Existing Senior Obligations”). The WRD is obligated to pay installment payments from Net Revenues totaling $80,000,000 in principal amount.

The Purchase Payments are secured by Net Revenues on a parity basis with the Existing Senior Obligations.

The following table sets forth the Debt Service payments on all Outstanding Senior Obligations immediately following the issuance of the Bonds, assuming the only redemption and prepayments made are the Mandatory Sinking Account Redemptions and Mandatory Sinking Account Prepayments.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
### AGGREGATE DEBT SERVICE OF OUTSTANDING SENIOR OBLIGATIONS

<table>
<thead>
<tr>
<th>Year Ending August 1</th>
<th>2015 Installment Agreement</th>
<th>2016 Installment Agreement</th>
<th>Installment Purchase Agreement</th>
<th>Total Debt Service</th>
</tr>
</thead>
</table>

**Total**
WRD Funds and Accounts; Flow of Net Revenues

Pursuant to the Installment Purchase Agreement, the WRD shall maintain a “Revenue Fund” and all of its Revenues shall be deposited therein. “Revenues” shall mean, for any period, all income and revenue received by the WRD during such period, determined in accordance with Generally Accepted Accounting Principles, including Replenishment Assessments, other charges and fees imposed by the WRD pursuant to the Act, Ad Valorem Taxes, charges and fees received by the WRD from the sale, furnishing or supplying of water or other commodities sold, furnished or supplied through the facilities of the WRD or in the conduct of the operations of the WRD, investment income (but only to the extent that such investment income is generally available to pay costs of the operation of the WRD and the operation and maintenance of the WRD’s facilities and other property, including Operation and Maintenance Costs), subsidies received by the WRD from another governmental entity pursuant to a program established by such governmental entity to promote the use of alternative sources of water or the supply or availability of clean water, Net Proceeds of business interruption insurance, and all other money howsoever derived by the WRD from the operation of the WRD or ownership of the WRD’s facilities and other property or arising from the WRD’s facilities and other property, but excluding (a) payments received under Financial Contracts, and (b) restricted grants; provided, however, that Revenues shall be increased by the amounts, if any, transferred during such period from the Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amounts, if any, transferred during such period from the Revenue Fund to the Rate Stabilization Fund. Revenues shall include interest on Obligations reimbursed to or on behalf of the WRD by the United States of America.

The WRD shall pay from the Revenue Fund all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not immediately required) as and when the same shall be due and payable. “Operation and Maintenance Costs” shall mean, for any period, the costs paid by the WRD during such period for the operation of the WRD and the operation and maintenance of the WRD’s facilities and other property, calculated in accordance with Generally Accepted Accounting Principles, including, among other things, costs of operating the WRD’s facilities and other property, costs of maintaining and preserving the WRD’s facilities and other property in good repair and working order, costs of management and administration of the WRD and the WRD’s facilities and other property, such as salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues), overhead, taxes (if any), insurance premiums, fees of auditors, accountants, attorneys or engineers, costs of Water Purchase Payments, and all Administrative Costs paid by the WRD during such period, but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to the WRD’s facilities or other property which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, and (d) costs for the payment of debt service on Obligations of the WRD. “Water Purchase Payments” shall mean, for any period, payments made by the WRD for the purchase and delivery of water, availability payments for water made by the WRD and In Lieu Payments. “In Lieu Payments” shall mean, for any period, the payments made by the WRD during such period to entities that pump groundwater from the groundwater basins managed by the WRD in consideration of such entities refraining from pumping groundwater that they would otherwise be entitled to pump.

The WRD may further designate and maintain a separate “Rate Stabilization Fund” if and when it deems the establishment of such fund to be necessary or appropriate for the management of its financial affairs. See “- Rate Stabilization Fund” below. The WRD may, from time to time as the WRD deems necessary or appropriate, deposit amounts received by it from any source into the Rate Stabilization Fund. The WRD may also, from time to time as the WRD deems necessary or appropriate, transfer amounts from the Revenue Fund to the Rate Stabilization Fund or transfer amounts from the Rate Stabilization Fund to
the Revenue Fund, according to its needs. As of the date of this Official Statement, no amount has been transferred to the Rate Stabilization Fund.

The Revenues for any period, less the Operation and Maintenance Costs for such period, shall be the WRD’s “Net Revenues” for such period. Pursuant to the Installment Purchase Agreement, the Net Revenues in the Revenue Fund shall be held in trust by the WRD for the benefit of the holders of the Bonds and any other Senior Obligations and Subordinate Obligations.

After having paid, or having made provision for the payment of, Operation and Maintenance Costs, the WRD shall, subject to any restrictions contained in the laws of the State on the use of WRD funds from any specified source for specified powers or functions of the WRD, set aside and deposit or transfer, as the case may be, from the Revenue Fund the amounts set forth below at the following times and in the following order of priority, as shown in the following table and described below:

First, on or before each date on which amounts are due and payable (“Senior Obligation Payments”) on (i) the Installment Purchase Agreement and (ii) any revenue bonds, certificates of participation, notes or other evidences of indebtedness of the WRD payable from Net Revenues on parity with the Purchase Payments, and (iii) any contracts (including Financial Contracts) or leases of the WRD, the installment, lease or other payments under which are, in accordance with the provisions hereof, payable from Net Revenues on parity with the Purchase Payments (each such contract, a “Senior Contract”) (altogether the “Senior Obligations,” and each such obligation, a “Senior Obligation”), and on each date on which any amounts deemed to be “Reimbursement Obligations” are due and payable to any Credit Enhancer or Liquidity Backer (as such are defined in the Installment Purchase Agreement) with respect to Senior Obligations, the WRD shall transfer legally available Net Revenues to the Senior Obligation Payment Fund in an amount which, together with other amounts on deposit therein, is at least sufficient to make the required payments with respect to such Senior Obligations or such Reimbursement Obligations. In the event that the WRD has insufficient Net Revenues to make all of the transfers contemplated hereby, then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations and Reimbursement Obligations, payments with respect to which are required to be made; and

Second, the WRD shall transfer to the applicable trustee for its Senior Obligation Securities (as such are defined in the Installment Purchase Agreement, and which include the Bonds), for deposit in the applicable reserve fund established therefor (the “Senior Obligation Reserve Funds”), legally available Net Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such reserve fund as and to the extent required by (i) such Senior Obligation Securities, (ii) the document or instrument pursuant to which such Senior Obligation Securities are issued, incurred or executed and delivered, and (iii) the applicable Senior Contract, interests in the payments payable under (the “Senior Contract Payments”) and pursuant to which are evidenced by such Senior Obligation Securities. In the event that the WRD has insufficient Net Revenues to make all of the transfers contemplated hereby, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective Outstanding Principal Amounts of the Senior Obligation Securities for which deposits to the Senior Obligation Reserve Funds are required to be made; and

Third, on or before each date on which amounts are due and payable on any Subordinate Obligations (as defined below) and on each date on which any Reimbursement Obligations with respect to Subordinate Obligations are due and payable, the WRD shall transfer legally available Net Revenues to the “Subordinate Obligation Payment Fund,” a separate subaccount of the Revenue Fund, in an amount which, together with other amounts on deposit
therein, is at least sufficient to make the required payments with respect to such Subordinate Obligations or such Reimbursement Obligations. In the event that the WRD has insufficient Net Revenues to make all of the transfers contemplated hereby, then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligations and Reimbursement Obligations, payments with respect to which are required to be made; and

*Fourth*, the WRD shall transfer to the applicable trustee for its Subordinate Obligation Securities (as such are defined in the Installment Purchase Agreement), for deposit in the applicable reserve fund established therefor (the “Subordinate Obligation Reserve Funds”), legally available Net Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such reserve fund as and to the extent required by (i) such Subordinate Obligation Securities, (ii) the document or instrument pursuant to which such Subordinate Obligation Securities are issued, incurred or executed and delivered, and (iii) the applicable Subordinate Contract (as defined in the Installment Purchase Agreement), interests in the payments payable under (the “Subordinate Contract Payments”) and pursuant to which are evidenced by such Subordinate Obligation Securities. In the event that the WRD has insufficient Net Revenues to make all of the transfers contemplated hereby, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective Outstanding Principal Amounts of the Subordinate Obligation Securities for which deposits to the Subordinate Obligation Reserve Funds are required to be made; and

*Fifth*, the WRD may, from time to time as the WRD deems necessary or appropriate, transfer Net Revenues in the Revenue Fund to the Rate Stabilization Fund.

So long as the WRD has reasonably determined that Net Revenues will be sufficient to make all of the deposits or transfers as required in and described by the paragraphs above, on the dates on which such deposits or transfers are required to be made, Net Revenues on deposit in the Revenue Fund may from time to time be used for any other purpose for which District funds may be legally applied. Nothing in the Installment Purchase Agreement precludes the WRD from making Purchase Payments from any other lawfully available moneys of the WRD. However, the Bonds, when issued, will be special, limited obligations of the Authority, secured solely by a pledge, charge and lien upon Pledged Revenues pursuant to the Indenture.

An insufficiency in the amount of Revenues collected or amounts maintained in the Revenue Fund, the Senior Obligation Reserve Funds, and the Rate Stabilization Fund could result in District’s inability to pay Purchase Payments when due, which could in turn result in the nonpayment or less than full payment of Debt Service on the Bonds by the Authority. The Purchase Payments and all other payments with respect to any other Senior Obligations shall be equally secured by the Net Revenues in the Senior Obligation Payment Fund without priority for number or date of incurrence of such obligations.

“Subordinate Obligations” shall mean all (i) revenue bonds, certificates of participation, notes or other evidences of indebtedness of the WRD payable from Net Revenues and subordinate to the Senior Obligation Payments, and (ii) any contracts (including Financial Contracts) or leases of the WRD, the installment, lease or other payments under which are, in accordance with the provisions hereof, payable from Net Revenues and subordinate to the Senior Obligation Payments.

See also “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Installment Purchase Agreement – Flow of Revenues” and “– Flow of Surplus Revenues.”
Limited Obligation

None of the Authority, any Authority member or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Authority, payable solely from and secured by the pledge of Pledged Revenues under the Indenture. Neither the Authority, its members, the State, nor any of its political subdivisions shall be directly, indirectly, or contingently obligated to use any other moneys or assets to pay all or any portion of the debt service due on the Bonds, to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds are not a pledge of the faith and credit of the Authority, its members, the State or any of its political subdivisions nor do they constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

Rate Covenants

The WRD has agreed pursuant to the Installment Purchase Agreement to prescribe, revise and collect (a) Replenishment Assessments, (b) other charges and fees imposed by the WRD pursuant to the Act, and (c) charges and fees charged by the WRD for the sale, furnishing or supplying of water or other commodities sold, furnished or supplied through the facilities of the WRD or in the conduct of the operations of the WRD which will be at least sufficient to yield during each fiscal year Net Revenues that are equal to 120% of Debt Service on Senior Obligations for such fiscal year. The WRD may make adjustments from time to time in Replenishment Assessments and in such charges and fees, but shall not reduce the Replenishment Assessments and such charges and fees then in effect unless the Revenues and Net Revenues from such reduced Replenishment Assessments and charges and fees will at all times be sufficient to meet the requirements set forth in this paragraph.

For purpose of calculating the interest on any Outstanding Senior Obligations, if interest on such Senior Obligations is reasonably anticipated to be reimbursed to or on behalf of the WRD by the United States of America, then Debt Service on such Senior Obligations shall exclude such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Revenues for purposes of the coverage calculations. To the extent Generally Accepted Accounting Principles prohibit the WRD’s ability to defer the portion of the Revenues to be recognized in the fiscal year in which Water Purchase Payments are made, for purposes of calculating the amount of Net Revenues, the amount of Water Purchase Payments during such fiscal year shall be reduced by the amount of Water Purchase Payments paid from prior year revenues or reserves (other than from amounts transferred during such fiscal year from the Rate Stabilization Fund).

No Debt Service Reserve Fund

The Authority will not establish a debt service reserve fund for the Bonds.

Rate Stabilization Fund

Under the Installment Purchase Agreement, the WRD may designate and maintain a Rate Stabilization Fund if and when it deems the establishment of such fund to be necessary or appropriate for the management of its financial affairs, and for purposes relating to such need, including but not limited to complying with applicable rate covenants and additional bonds tests. As of the date of this Official Statement, no amount has been transferred to the Rate Stabilization Fund.
Other Reserves

Pursuant to Section 60290 of the California State Water Code (the “Water Code”), the WRD may maintain an unrestricted reserve fund in an amount not to exceed $10 million dollars, which reserve fund (the “Operating Reserve Fund”) may be adjusted annually for the percentage increase or decrease in the blended cost of water to the WRD from District water supply sources. Beginning in the 2019-20 fiscal year, a minimum of 80% of the Operating Reserve Fund shall be calculated according to and used for the purchase of water. Pursuant to Section 60291 of the Water Code, the limitations on use of the Operating Reserve Fund set forth in Section 60290 do not apply to funds appropriated for District capital projects. Furthermore, based on Section 60328.1, the WRD may carry over amounts budgeted but unexpended for the purchase of water (the “Water Purchase Carryover Fund”), or to a Replenishment Assessment rate reduction in the succeeding fiscal year, which are also exempt from the $10 million limit. Generally, the WRD carries a balance in the Water Purchase Carryover Fund in years when imported spreading water was unavailable for purchase. The WRD then uses the Water Purchase Carryover Fund balance to purchase water in future years when water becomes available.

In addition to the Operating Reserve Fund and the Water Purchase Carryover Fund, the WRD maintains certain additional financial reserves as set forth below:

• Funds Reserved for Capital Projects – This category of funds represents amounts encumbered due to commitments made by the Board for capital projects, which include the Safe Drinking Water Loan Program, the WRD capital replacement plan for the Leo J. Vander Lans Advanced Water Treatment Facility (described below) and the Goldsworthy Desalter (described below). By action of the Board, these funds can only be spent for capital projects. These funds are accounted for separately, but only reserved by Board action and can be transferred to the Revenue Fund.

• Supplemental Debt Service Reserve Fund – Based on prior litigation and financial contingencies, the WRD Board has reserved additional funds in a supplemental Debt Service Reserve Fund to address such contingencies.

As of June 30, 2018, the District’s reserve balances were as follows:

**Designated Funds:**

| Funds Reserved for Capital Projects | $8,931,000 |
| Water Purchase Carryover Fund | 19,971,000 |
| Supplemental Debt Service Reserve Fund | 15,231,000 |
| **TOTAL RESTRICTED FUNDS** | **$48,724,000** |

**Operating Reserve Fund:**

| | $15,968,000 |

The District also maintains certain trust accounts, including the California Transportation Trust Fund. The California Transportation Trust Fund is held in trust by District as part of a settlement with the California Department of Transportation for dewatering of the 105 Freeway. The WRD may transfer amounts from the trust fund to the Revenue Fund over time to pay for the Replenishment Assessment for water pumped from below the freeway. The trust fund is kept separate and apart from the Revenue Fund and amounts therein are not commingled with the Revenue Fund.
No assurance can be made that the balances in the Operating Reserve Fund, the Water Purchase Carryover Fund, or the other financial reserves and trust accounts described here will be maintained or available for the payment Purchase Payments or debt service on any other WRD obligations.

Additional Obligations

Pursuant to the Indenture, except for the Bonds and as permitted under the Installment Purchase Agreement, the Authority has covenanted that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Pledged Revenues in whole or in part.

Additional Senior Obligations. No (i) revenue bonds, certificates of participation, notes or other evidences of indebtedness of the WRD payable from Net Revenues, or (ii) contracts (including Financial Contracts) or leases of the WRD, the installment, lease or other payments under which are, in accordance with the provisions hereof, payable from Net Revenues shall be secured by an interest in the Net Revenues in the Senior Obligation Payment Fund that is senior to the pledge covenants contained in the Installment Purchase Agreement.

The WRD may at any time incur additional Senior Obligations payable from Net Revenues subject to the following conditions:

(1) Upon the incurrence of such additional Senior Obligations, no Event of Default shall be continuing under the Installment Purchase Agreement;

(2) Subject to the provisions of paragraph (3) below, the WRD shall have delivered to each trustee for the Outstanding Senior Obligations a Written Request of the WRD demonstrating that for a 12 consecutive calendar month period during the 18 consecutive calendar month period ending in the calendar month prior to the incurrence of additional Senior Obligations (which 12 consecutive calendar month period shall be specified in such Written Request of the WRD) the Net Revenues, as shown by the books of the WRD, shall have amounted to at least 120% of Maximum Annual Debt Service on all Senior Obligations to be outstanding immediately after the incurrence of such Senior Obligations. For purposes of demonstrating compliance with the foregoing, Net Revenues may be adjusted for any changes in (i) Replenishment Assessments, (ii) other charges and fees imposed by the WRD pursuant to the Act, and (iii) charges and fees charged by the WRD from the sale, furnishing or supplying of water or other commodities sold, furnished or supplied through the facilities of the WRD or in the conduct of the operations of the WRD which have been adopted and are in effect on the date such additional Senior Obligations are incurred, but which, during all or any part of such 12 consecutive calendar month period, were not in effect. For purposes of preparing the Written Request of the WRD described above, the WRD may rely upon financial statements of the WRD that have not been subject to audit by an independent certified public accountant if audited financial statements for the period are not available. This requirement need not be complied with if the additional Senior Obligations being incurred have an original maturity of less than or equal to one year and are not renewable at the option of the WRD for a term greater than one year beyond the date of original incurrence.

(3) Notwithstanding the foregoing, if (i) all or a portion of additional Senior Obligations are incurred for the purpose of providing funds to refund or refinance any then-Outstanding Senior Obligations, (ii) upon such refunding or refinancing, debt service on such refunded or refinanced Senior Obligations, or debt service on the Related Bonds of such Senior Obligations, will no longer be included in the calculation of Assumed Debt Service either because such Senior Obligations, or the Related Bonds of such Senior Obligations, will have been paid in full or because such debt service is disregarded pursuant to the definition of Assumed Debt Service (as such is defined in the Installment Purchase Agreement), and (iii) Assumed Debt Service in each fiscal year for the portion of such additional Senior Obligations incurred for the
purpose of providing funds to refund or refinance such then-Outstanding Senior Obligations is less than or equal to 100% of Assumed Debt Service in such fiscal year for such then-Outstanding Senior Obligations being refunded or refinanced (assuming for such purposes that debt service on such refunded or refinanced then-Outstanding Senior Obligations, or debt service on the Related Bonds of such then-Outstanding Senior Obligations, is not disregarded pursuant to the definition of Assumed Debt Service), the provisions of paragraph (2) above, need not be complied with for such portion of such additional Senior Obligations incurred for the purpose of providing funds to refund or refinance such then-Outstanding Senior Obligations.

(4) For purposes of calculating the interest on any Outstanding Senior Obligations, if interest on such Senior Obligations is reasonably anticipated to be reimbursed to or on behalf of the WRD by the United States of America, then Debt Service on such Outstanding Senior Obligations shall exclude such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Revenues for purposes of any coverage calculations.

(5) To the extent Generally Accepted Accounting Principles prohibit the WRD’s ability to defer the portion of the Revenues to be recognized in the fiscal year in which Water Purchase Payments are made, for purposes of calculating the amount of Net Revenues as set forth in subsection (2) above, the amount of Water Purchase Payments during such period shall be reduced by the amount of Water Purchase Payments paid from prior year revenues or reserves (other than from amounts transferred during such fiscal year from the Rate Stabilization Fund).

The WRD may at any time incur Reimbursement Obligations with respect to Senior Obligations.

Subordinate Obligations. The WRD may at any time incur Subordinate Obligations; provided, however, that prior to incurring such Subordinate Obligations, the WRD shall have determined that the incurrence thereof will not materially adversely affect the WRD’s ability to comply with its Rate Covenants under the Installment Purchase Agreement. The WRD may at any time incur Reimbursement Obligations with respect to Subordinate Obligations.

Insurance

The WRD agrees in the Installment Purchase Agreement to maintain at all times with responsible insurers casualty insurance on the WRD’s facilities and other property in such amounts and against such risks (including accident to or destruction of the WRD’s facilities and other property) as are usually covered in connection with facilities similar to the WRD’s facilities and other property. In the event of any damage to or destruction of the WRD’s facilities and other property caused by the perils covered by such insurance or self-insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the WRD’s facilities and other property. If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in the Revenue Fund and be available for other proper uses of funds deposited in the Revenue Fund. The WRD will also procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with facilities similar to the WRD’s facilities and other property.

The WRD is permitted under the Installment Purchase Agreement to satisfy the foregoing requirements through a self-insurance program or to provide such insurance as part of any blanket coverages maintained by the WRD.
Events of Default and Remedies

The Bonds are subject to an “Event of Default” upon the occurrence of (i) the Authority’s failure to punctually pay principal or any installment of interest thereupon when such amount shall become due and payable, (ii) the Authority’s failure to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds, subject to a 60 day period to cure such failure, (iii) the filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or similar legal action, and (iv) the occurrence of any Event of Default under the Installment Purchase Agreement. The Installment Purchase Agreement is subject to an “Event of Default” upon the occurrence of, among other events: (i) the WRD’s failure to punctually pay any Senior Obligation or any amount on account thereof when such shall become due and payable and (ii) the occurrence and continuance of an event of default under any Senior Obligation, under any Senior Obligation Securities or under the Issuing Instrument pursuant to which any Senior Obligation Securities are issued, incurred or executed and delivered, subject to no period to cure such failure.

The Installment Purchase Agreement provides that, if there is a default by the WRD under the Installment Purchase Agreement, the Authority may declare the entire unpaid principal amount and accrued interest to be due and payable. However, given the essential nature of the governmental function of the Project, no assurance is given that a court would enforce contractual remedies contained in the Installment Purchase Agreement with respect to the Project.

For a more complete description of the rights of the Trustee and Owners upon an Event of Default under the Indenture and the Installment Purchase Agreement, see “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” hereto.

THE WRD

General

The WRD is a special water replenishment district that was established in 1959 by popular vote to counteract the effects of over-pumping of groundwater from two major groundwater basins in Los Angeles County commonly known as the Central and West Coast groundwater basins (the Basins). Such over-pumping caused wells to go dry and seawater to intrude into the potable water aquifers. The Basins provide groundwater for approximately four million residents in 43 cities in the County. The WRD serves as the groundwater manager for the Basins, in accordance with the adjudications of the Basins (as defined herein). See “THE WRD - Adjudications of the Basins – Central Basin Adjudication” and “– West Coast Basin Adjudication” for the history and terms of the adjudications.

The WRD protects the Basins by replenishing the groundwater, deterring sea water intrusion and removing contaminants from the groundwater. The WRD owns and operates water replenishment and desalter facilities. The WRD’s staff is responsible for operating and maintaining the WRD’s infrastructure, although some operations are provided by external contractors. All supplies, including chemicals which are essential to the operation and maintenance of the facilities of the WRD, are in plentiful supply. In addition, the WRD has sufficient standby systems in the event of equipment failures or system outages.

The WRD is the only replenishment district in California operating under the provisions of the Water Code, which specifically governs water replenishment districts. It is currently comprised of an administrative building and the following physical assets:
Albert Robles Center for Water Recycling & Environmental Learning. In the City of Pico Rivera, the Albert Robles Center, formally known as the Groundwater Reliability Improvement Project (GRIP), will fully eliminate the current demand for imported water by producing 21,000 acre-feet annually from local alternative sources to replenish the Central Basin. The Advanced Water Treatment Facility will purify 10,000 acre-feet of tertiary treated (recycled) water annually to near-distilled levels. Together with another 11,000 acre-feet of recycled water, WRD will deliver 21,000 acre-feet of water to the San Gabriel Coastal Spreading Grounds where it will percolate into the Central Basin.

Leo J. Vander Lans Advanced Water Treatment Facility. Located in Long Beach, California, the Leo J. Vander Lans Advanced Water Treatment Facility supplies up to eight million gallons per day of highly purified recycled water to the Alamitos Seawater Intrusion Barrier to completely eliminate the need for expensive, imported water. The state-of-the-art facility uses a three-step treatment process utilizing microfiltration, reverse osmosis and ultraviolet disinfection with advanced oxidation to protect the Central Groundwater Basin from seawater contamination and help replenish the groundwater supply for the region.

Goldsworthy Desalter. Over pumping of the West Coast Groundwater Basin through the early 1960’s caused seawater to intrude into some aquifers beneath coastal area cities, affecting the local groundwater supply. The Robert W. Goldsworthy Desalter is located in the City of Torrance to help mitigate the saline plume trapped in the West Coast Groundwater Basin by using advanced technology through reverse osmosis treatment to treat up to five million gallons per day and provides purified water for the City of Torrance’s drinking water supply.

Regional Groundwater Monitoring Program. As part of the District’s mission to protect and preserve high-quality groundwater in the basins, the District maintains a thorough understanding of groundwater conditions. This is achieved through the Regional Groundwater Monitoring Program, a network of over 320 monitoring wells at nearly 60 locations throughout the District. The data collected is used for modeling and planning which provides the necessary information to determine the “health” of the basins. The information in turn provides, the District, the groundwater pumpers, other interested stakeholders and the public with the knowledge necessary for responsible water resources planning and management. Results are published annual through the Regional Groundwater Monitoring Report.

Safe Drinking Water Program. To mitigate problems of groundwater contamination, the District established the Wellhead Treatment Program as part of its Clean Water Program in 1991. Now known as the Safe Drinking Water Program, this program offers a means of providing wellhead treatment equipment to remove contaminants from groundwater allowing the affected well to meet public drinking water standards. Pumping and treating these wells increase the rate at which pollutants are removed from the groundwater supply, lessening the risk of contamination migrating into other areas and affecting other wells. The Safe Drinking Water Program also helps to secure the District’s revenue stream by assisting pumpers to utilize their pumping rights for groundwater rather than to alternatively take delivery of imported water.

The map below shows the location and service area of the WRD, as well as the locations of its production and injection wells. The WRD is bounded by the Baldwin, Whittier, and Merced Hills in the north, the Orange County line to the east, and the Pacific Ocean to the south and west. It lies entirely within Los Angeles County and serves 43 cities. The approximately 420 square mile service area uses about 244,000 acre-feet of groundwater per year.
[INSERT MAP]
The WRD’s stated mission is “to provide, protect and preserve high quality groundwater through innovative, cost-effective and environmentally sensitive basin management practices for the benefit of residents and businesses of the Central and West Coast Basins.” Although the WRD does not directly serve retail water consumers, it ensures the health of the groundwater basins so groundwater supplies are available to those with groundwater pumping rights to those basins, such as the cities that supply water to their residents. According to WRD estimates, nearly 50 percent of the water consumed by the area served by the WRD comes from groundwater sources. The rest comes from water imported from the Colorado River and Northern California.

The WRD originally was established to oversee the replenishment of groundwater levels in the Basins. The need for an entity to perform this function had become clear by the 1950s. The increasing population of the Los Angeles area during the early part of the 20th century had overwhelmed the area’s limited sources of surface water, so communities, private water companies, and businesses began pumping water out of the Basins. Since the natural inflow to the Basins relies primarily on rainfall that averages only 14 inches per year, it was not long before the pumping outstripped the Basins’ ability to recharge themselves through natural means. As the groundwater levels continued to go down, some wells went dry and saltwater intruded into the Basins’ coastal areas, causing wells to be abandoned.

The West Basin Water Association was formed in 1947 and the Central Basin Water Association was formed in 1952. These associations developed a plan to provide supplemental water to their members, limit groundwater extraction from the Basins, and create a means to provide groundwater-pumping rights to users who lacked access to other supplemental water supplies. At about the same time, the entities went to court seeking specific assignments for groundwater pumping rights. In 1961 and 1965, the court awarded varying amounts of groundwater pumping rights to a number of entities. As of fiscal year 2018-19, 128 parties to the “Central Basin Judgment” held a total of 217,367 acre-feet of groundwater pumping rights in the Central Basin, and 56 parties to the “West Basin Judgment” held a total of 64,468.25 acre-feet of groundwater pumping rights in the West Coast Basin. The entities holding such rights to extract water may sell or lease their rights to other parties.

By law, the WRD has broad authority to carry out its responsibilities, which include the purchase of water to replenish the Basins, administering clean water programs and investing in projects intended to improve the reliable supply of clean water at a reasonable cost. The WRD purchases water to be added to spreading grounds, where it gradually percolates into the underlying aquifers. The WRD also purchases water to be injected into seawater barrier wells along the coastline. Water injected into these barrier wells forms a dam of freshwater that keeps seawater from flowing into the groundwater aquifers in areas where groundwater levels have dropped below sea level. The County operates the spreading grounds and barrier wells, using the water the WRD provides.

In addition, the WRD operates a number of clean water programs under the authority of 1991 legislation that broadened its mission to include the detection, prevention, and removal of contaminants in the groundwater. In response to this legislation, the WRD has established programs to monitor water quality, remove contaminants, and mitigate saltwater intrusion.

Statutory Authority

The WRD is a public body, corporate and politic, existing under and by virtue of the Water Code. The Water Code authorizes the WRD to do any act necessary to replenish the groundwater of the WRD, including, but only for the purposes of replenishing the groundwater supplies within the WRD, buying and selling water, exchanging water, distributing water to persons in exchange for ceasing or reducing groundwater extraction, spreading, sinking and injecting water into the underground, storing, transporting, recapturing, recycling, purifying, treating or otherwise managing and controlling water for the beneficial
use of persons or property within the WRD, and building the necessary works to achieve groundwater replenishment.

The Water Code further provides that for the purpose of protecting and preserving the groundwater supplies within the WRD for beneficial uses, the WRD may take any action within the WRD boundaries that its Board of Directors deems necessary or desirable to prevent contaminants from entering the groundwater supplies or removing contaminants from the groundwater supplies of the WRD. The WRD is also empowered to take action outside the WRD to protect its groundwater supply where there is a direct, material relationship between the WRD’s groundwater supply and the groundwater supply where the action needs to be taken.

The Water Code empowers the WRD to annually impose a Replenishment Assessment on the production of groundwater from groundwater supplies within the WRD, and to impose other assessments and charges for water. The major portion of the WRD’s revenues is derived from Replenishment Assessments that are imposed on entities that pump groundwater from the Basins. For further information on the Replenishment Assessments, see “FINANCIAL OPERATIONS - Replenishment Assessments and Other WRD Revenues” and “- Collection of Replenishment Assessments.”

The powers that are vested in the WRD by the Water Code and used to carry out its purpose were confirmed by the courts in recent court decisions regarding the scope of the Water Code. See “THE WRD - Adjudications of the Basins-Central Basin Adjudication” and “LITIGATION” herein.

**Governance and Management**

A five-member board of directors (the “Board”) governs the WRD. Each director of the Board (each a “Director” and collectively, the “Directors”) represents a division of the WRD (see depiction of Divisions below). Directors serve four-year overlapping terms and are elected at regularly scheduled general elections. The Board acts by adopting resolutions. The current Directors and the expiration dates of their current terms are set forth below.

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Division</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willard H. Murray, Jr.</td>
<td>One</td>
<td>January 2019</td>
</tr>
<tr>
<td>Rob Katherman</td>
<td>Two</td>
<td>January 2021</td>
</tr>
<tr>
<td>John D. S. Allen</td>
<td>Three</td>
<td>January 2019</td>
</tr>
<tr>
<td>Sergio Calderon</td>
<td>Four</td>
<td>January 2019</td>
</tr>
<tr>
<td>Vera Robles DeWitt</td>
<td>Five</td>
<td>January 2021</td>
</tr>
</tbody>
</table>

The WRD has 42 full time budgeted employees. Day-to-day management of the WRD is delegated to the General Manager who is appointed by the Board. Set forth below is a brief resume of the General Manager and principal administrators of WRD operations and finances.

**Robb Whitaker, General Manager.** Mr. Whitaker is a Professional Engineer and has been in the field of water resources engineering for 33 years. He has a wide-ranging experience with water distribution infrastructure, water supply forecasting, and basin management. During his tenure at the WRD, Mr. Whitaker has developed the Safe Drinking Water Program that provides treatment facilities for groundwater producers with wells affected by contamination, developed the Balanced Basin Pumping concept which could allow a 20% increase in the use of groundwater in the Central Basin, reducing the demand for expensive water imported from the Sacramento and Colorado Rivers, conceived and developed a concept...
to utilize water from the CalTrans 105 Freeway that is currently being wasted to the ocean, developed the concept of utilizing physical barrier systems as an alternative to expensive injection wells to deter seawater intrusion, and conceived and developed a plan that is currently being implemented to remove San Gabriel Valley contamination that migrated into the Central Basin. Mr. Whitaker received a B.S. in Civil Engineering with emphasis in Water Resources from the University of Southern California.

**Ken Ortega, Assistant General Manager.** Ken Ortega is the Assistant General Manager/Chief Engineer for the WRD and has been in the field of water resources engineering for 30 years. He is responsible for Engineering, Operations, and the Groundwater Reliability Improvement Project (GRIP). Throughout his thirty-year career, career Mr. Ortega has directed large-scale private and public agency projects in California, Nevada, and Texas, which includes the award winning $250 million Groundwater Recovery Enhancement and Treatment (GREAT) Program serving the City of Oxnard and the surrounding region. The project includes brackish water desalting, advanced water purification of municipal wastewater, aquifer storage and recovery, and constructed wetlands for brine concentrate treatment and wetlands restoration. Other professional experience includes working with internationally recognized agricultural icons Limoneira Company and Driscoll/Well-Pict Berries to create a $40 million solution for the design, build, operate and finance (DBOF) of a sustainable water supply in partnership with the City of Santa Paula. He also directed a DBOF partnership for a $35 million brackish water to serve agricultural and urban water users in West Ventura County.

**Theodore Johnson, Chief Hydrogeologist.** Mr. Johnson is a California Registered Geologist and Certified Hydrogeologist with 33 years of experience in Southern California groundwater resources investigations, with the last nineteen years dedicated exclusively to the Central and West Coast Basins. He manages a group of hydrogeologists, engineers, and technical support specialists in the Basin Management and Water Quality department at the WRD, focusing on groundwater replenishment, water quality, seawater intrusion, groundwater basin levels, computer modeling, and groundwater banking/conjunctive use opportunities. Mr. Johnson received his B.S. and M.S. degrees from California State University at Fullerton.

**Scott M. Ota, Chief Financial Officer.** Mr. Ota is a Certified Public Accountant, Certified Insolvency and Restructuring Advisor, Certified in Financial Forensics and Charted Global Management Accountant by the American Institute of Certified Public Accountants. Mr. Ota has 28 years of experience working in the public, private and government sectors. While working in these business areas, Mr. Ota specialized in financial, compliance and internal control audits, financial feasibility analysis, financial forecasts, supervised the accounting function of a multi-million dollar medical practice management company and led the turnaround and reorganization of several companies. Currently, he is responsible for overseeing all financial aspects of the WRD, including projecting cash flows, assessing financing arrangements, streamlining financial operations, managing the WRD’s investment portfolio, expense and profitability analysis and leads the WRD’s Comprehensive Annual Financial Audit. Mr. Ota also works with the WRD’s individual departments, management, and Board of Directors in leading the annual budget and assessment rate setting process. Mr. Ota received his B.S. degree from California State University at Long Beach.

**Employee Relations and Employee Benefits**

**Employees.** As of June 30, 2018, WRD had 42 budgeted, full-time employees. WRD employees, other than management-level employees, are represented by the American Federation of State, County and Municipal Employees (“AFSCME”), Local 1902. The WRD and AFSCME are operating under a Memorandum of Understanding (the “MOU”), which commenced on December 31, 2016 and expires on June 30, 2023.
Pension Benefits. The following information regarding CalPERS and the 3.0% at 60 Risk Pool (as both are defined herein), other than the information provided by the WRD regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by any of the WRD or the Underwriters.

Full-time WRD employees are members of the California Public Employees’ Retirement System (“CalPERS”). CalPERS provides retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. CalPERS operates a number of retirement plans, including the CalPERS 3.0% at 60 Risk Pool Retirement Plan, a multiple-employer defined benefit retirement plan in which the WRD participates (the “3.0% at 60 Risk Pool”). Employees participating in the 3.0% at 60 Risk Pool generally become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions by employer members to the 3.0% at 60 Risk Pool are based upon an actuarial rate determined annually, and contributions by members may vary based upon their date of hire. The WRD is currently required to contribute to CalPERS at an actuarially determined rate, which is 14.369% of eligible salary expenditures for fiscal year 2018-19. The District also pays the employee participant’s portion of 8.0% for employees enrolled in CalPERS prior to January 1, 2013. Participants enrolled after January 1, 2013 are subject to the California Public Employee’s Pension Reform Act of 2013 (“PEPRA”), where the District contributes 7.266% to CalPERS on behalf of the member, while employees contribute at an actuarially determined rate, of 6.5% of their respective salaries. See “— California Public Employees’ Pension Reform Act of 2013” herein. The WRD makes all contributions required of its employees on their behalf and for their account.

The WRD contributions to CalPERS were, $656,344 in fiscal year 2015-16, $667,989 in fiscal year 2016-17, and $702,713 in fiscal year 2017-18, in each such year was equal to 100% of the required contributions. The WRD carries forward no net pension obligation with respect to its contributions to CalPERS into fiscal year 2018-19. The WRD has budgeted $796,720 for its contribution to CalPERS for fiscal year 2018-19.

For further information about the WRD contributions to CalPERS, see “APPENDIX A - COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2017 AND 2016 – Notes to Financial Statements, Note 12, Defined Benefit Pension Plan” herein.

CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial report may be obtained from CalPERS from its executive office at P.O. Box 942703, Sacramento, California 94229-2703. Moreover, CalPERS maintains a website, at www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

CalPERS has a substantial statewide unfunded liability. The amount of this unfunded liability and its effects upon a given risk pool will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. In recent years, the Legislature of the State and the CalPERS Board of Administration (the “CalPERS Board”) have each taken steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of CalPERS plans, including the 3.0% at 60 Risk Pool.

On March 14, 2012, the CalPERS Board voted to lower the CalPERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On November 17, 2015, the CalPERS Board approved a new funding risk mitigation policy
to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the CalPERS Board voted to lower the PERS Discount Rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. Lowering the PERS Discount Rate likely means employers that contract with CalPERS to administer their pension plans (such as the WRD) will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the PERS (defined below) will likely also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans.

On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (“PEPRA”), which makes changes to CalPERS, most significantly affecting new employees hired after January 1, 2013 (the “Implementation Date”). For non-safety CalPERS participants hired after the Implementation Date, including all WRD employees hired thereafter, PEPRA changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among other changes, PEPRA also: (i) requires all new participants enrolled in CalPERS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

On April 17, 2013, the CalPERS Board adopted staff recommendations to modify both smoothing and amortization policies in response to concerns about future funded levels and increases in employer contribution rates. The changes adopted by the CalPERS Board modify the smoothing approach used by CalPERS and shorten smoothing and amortization periods. The CalPERS staff report states that over time, these methods are designed to improve funding levels and help reduce the overall funding level risk. Under the proposed changes, CalPERS will no longer use an actuarial value of assets, using instead the market value of assets, and will employ an amortization and smoothing policy that will spread rate increases and decreases over a five-year period and will amortize experience gains and losses over a fixed 30-year period. These changes began impacting employer contribution rates for the WRD starting with fiscal year 2015-16. Further information on this CalPERS Board action is set forth in Circular Letter #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy changes), dated April 26, 2013.

On February 18, 2014, the CalPERS Board adopted staff recommendations to modify the demographic and mortality assumptions included in CalPERS’ actuarial valuations. The demographic assumptions include adjustments to the retirement, disability, and salary projections that will cause minor increases in contribution rates in the future. Also included were changes to the CalPERS asset allocation strategy that will reduce the expected volatility of future investment returns and cause minor increases in contribution rates in the future. The significant component of the approved changes is the revision to the mortality assumptions previously employed in the actuarial valuations, which did not take into account prospective increases in life expectancy. The new assumptions project improved mortality over a 20-year period, which results in a significant increase in required employer contribution rates. As was the case with
the smoothing and amortization changes approved in 2013, the CalPERS Board approved a 5-year phase in of the resulting contribution rate increases beginning in fiscal year 2016-17. The WRDy is taking steps to plan for these increases and to incorporate the required additional funding in to future budgets. Further information on this CalPERS Board action is set form in Circular Letter #200-013-14 (Employer Rate Impact Due to Changes in Actuarial Assumptions), dated March 10, 2014.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy that seeks to reduce funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. A lower discount rate could result in a more conservative portfolio, which could require members to increase CalPERS contributions to offset reduced portfolio returns.

On February 13, 2018, the CalPERS Board voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019, actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain five-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2020-21.

In addition to Circular Letters #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy Changes) and #200-013-14 (Employer Rate Impact Due to Changes in Actuarial Assumptions) and the Funding Risk Mitigation Policy, the CalPERS Board may consider or approve future measures which could result in increases in the required contribution rates in the future. For complete updated inflation and actuarial assumptions, please contact CalPERS at the above-referenced address.

The Public Agency Retirement System (“CalPARS”) is a single-employer defined contribution plan qualifying under Tax Code Section 401(a) and 501. The WRD provides retirement benefits to its elected directors who do not participate in CalPERS through CalPARS. Directors who retire at age 50 with five years of service with the WRD are eligible to receive pension benefits equal to the same plan factor of final average compensation for all years of service as if such benefits were calculated under the 3.0% and 60 Risk Pool formula. In compliance with PEPRA (AB340), the plan provides a Tier II benefit for Board Members of the WRD hired after December 31, 2012 equal to the CalPERS “2.0% at 62” benefit. The WRD is required to contribute such actuarially determined amounts, in full and on behalf of Directors, to fund the benefits for such Director participants. Certain CalPARS benefit provisions and contribution rates are established and may be amended by the CalPARS Board of Trustees. The WRD contributions to CalPARS totaled $13,308 for the 2016-17 fiscal year and $21,266 for the 2015-16 fiscal year, in each such year with such contributions being equal to the annual contributions required by CalPARS. The plan was overfunded by $103,340 as of June 30, 2016 and overfunded by $46,116 as of June 30, 2017.

**OPEB Benefits.** In fiscal year 2008-09, the WRD implemented Governmental Accounting Standards Board (“GASB”) Statement 45, a ruling that requires public employers to annually account for the cost of “other post-employment benefits” (“OPEB Benefits,” which may include various non-pension benefits, such as health care and life insurance), as an expense in the years such benefits are earned by active employees, although those benefits will be paid only when the employee retires. Historically, public employers used a pay-as-you go accounting method when accounting for OPEB Benefits, resulting in recognition of the cost for these benefits occurring only when premiums or benefit claims for these retirees were actually paid. The GASB issued Statement 45 to require more complete and reliable financial reporting regarding the costs and financial obligations that governments incur when they provide OPEB Benefits.
The WRD currently provides OPEB Benefits in the form of single-employer postemployment healthcare benefits to its employees meeting certain eligibility requirements. WRD employees hired prior to December 20, 2001 qualify for OPEB Benefits if they retire with 12 or more years of service at the WRD, WRD employees hired on or after December 20, 2001 but prior to December 31, 2011 qualify for OPEB Benefits if they retire at age 55 or older with 12 or more years of service and WRD employees hired after December 31, 2011 qualify for OPEB Benefits on a sliding scale starting with 10 years of service for a 50% employer contribution up to 20 years or more for a 100% employer contribution. As of June 30, 2017, 13 retirees and their dependents receive OPEB Benefits, 2 vested terminees and 42 active employees are eligible to receive OPEB Benefits in the future.

The WRD has commissioned and received an actuarial study (the “Study”), dated as of July 2, 2017, with respect to its accrued liability in connection with the OPEB Benefits. The Study concluded that the unfunded actuarially accrued liability (the “UAAL”) of the WRD with respect to the Benefits as of June 30, 2017 was $4,913,069. The Study also concluded that the actuarial determined contribution (the “ADC”) for fiscal year 2017-18 was $754,917. The ADC is the annual amount that would be necessary to fund the Benefits in accordance with GASB Statements Nos. 43 and 45. The ADC was $606,782 for fiscal year 2015-16 and $627,990 for fiscal year 2016-17. The ADC is expected to increase each year based on the cost of OPEB Benefits increasing. However, other factors, such as the discount rate used for calculation or the age of new hires, may mitigate such increase.

On March 25, 2011, the Board of Directors authorized the establishment of an irrevocable trust with CalPERS through the CalPERS California Employers’ Retirement Benefit Trust (“CERBT”) to meet negotiated obligations for retiree benefits. This trust is currently funded on a pay-as-you-go basis. As of June 30, 2017, the value of assets held in the trust was $6,224,883. The Study factored in the value of these assets when calculating the AAL.

For further information about the WRD’s OPEB Benefits, see “APPENDIX A - COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2017 AND 2016 – Notes to Financial Statements, Note 14, Other Postemployment Benefits” herein.

Insurance

The WRD maintains numerous forms of insurance, including its general liability and property insurance, through the Association of California Water Agencies Joint Powers Insurance Authority (the “JPIA”), a pooled non-capitalized self-insurance pool consisting of other public agencies involved in water purveyance. Under its JPIA general and auto liability and public officials and employees' errors and omissions policy, the WRD self-insures for the first $2,000,000 in claims, with a combined single limit at $2,000,000 per occurrence, and it purchases excess insurance to increase its coverage to a $58,000,000 aggregate liability limit. Under its JPIA property insurance policy, losses are paid based on the replacement cost for the applicable property on file. If applicable property is replaced within two years after the loss or otherwise paid on an actual cash value basis, to a combined total of $100 million per occurrence, the WRD is subject to a $2,500 deductible per such occurrence. In addition, the WRD has purchased an employee dishonesty rider, boiler and machinery coverage as a part of the property program, and a public employee fidelity bond. The JPIA further administers the WRD workers’ compensation insurance, which provides coverage up to California statutory limits for all work-related injuries and illnesses covered by California law.

The WRD’s settled claims have not exceeded any of its coverage amounts in any of its last three fiscal years, and there have been not reductions in the WRD’s insurance coverages in any of its last three fiscal years. For further information about the WRD’s OPEB Benefits, see “APPENDIX A -
Adjudications of the Basins

**General.** Although both Basins are managed by the WRD as a single groundwater basin pursuant to the Water Code, the rights to pump groundwater from the Central Basin and the West Coast Basin are governed by two adjudications (the “Adjudications”), as described below. Available groundwater resources in the Basins are also affected by the terms of the San Gabriel River adjudication, described below.

**West Basin Adjudication.** The West Coast Basin area depends on subsurface flow and precipitation for its freshwater replenishment. Its freshwater supplies are easily upset and can be adversely affected by upstream activities miles away. As a coastal basin, it is exposed to seawater intrusion if water levels fall too low.

Seawater intrusion was first identified in the West Coast Basin as early as 1912. By 1933, increased groundwater pumping in the West Coast Basin drove groundwater levels in the center of the West Coast Basin to nearly 20 feet below sea level. As the West Coast Basin area grew in population and development, groundwater pumping increased further. Urbanization of the area reduced return flows as land surfaces were paved over and stream channels were lined with concrete. As underground water elevations continued to be maintained below sea level, large amounts of salt water began to fill the West Coast Basin from the Pacific Ocean.

The total accumulated overdraft in the West Coast Basin through 1957 was estimated at 832,000 acre-feet, 630,000 of which was replaced by salt water. During the 1950’s about 50,000 acre-feet per year of ocean water intruded in the West Coast Basin. By 1962, seawater intrusion was about 2 miles inland all along the Santa Monica Bay. Groundwater levels fell by more than 100 feet in some areas. With more than 600,000 acre-feet of salt water underlying thousands of acres of land and advancing toward the center of the West Coast Basin, the groundwater supply to the West Coast Basin was threatened with destruction.

In 1946, the West Basin Water Association was formed as a nonprofit association. The West Basin Water Association studied the deterioration of the West Coast Basin and attempted to secure additional water supplies for the area. On October 24, 1945, California Water Service Co., joined by other plaintiffs, filed a complaint seeking adjudication and limitation of groundwater pumping rights against 151 named and several hundred unnamed defendants in the West Coast Basin. Over the next 16 years, the parties actively negotiated in order to determine the level of pumping which would be allowed in the West Coast Basin. An interim agreement was reached in 1949 which was effective in improving West Coast Basin water conditions.

In December 2014, the West Basin Judgment was amended, which, among other things, provided a framework for groundwater storage and transferred the court appointed Watermaster from the Department of Water Resources to a local governance structure composed of WRD and water rights holders. With this amendment, the annual groundwater pumping rights remained at 64,468.25 acre-feet, however, provisions for greater flexibility in the management of these rights were provided as well as a framework for the utilization of the estimated 120,000 acre-feet of available storage space.

To provide flexibility in the control of groundwater extractions, the West Basin Judgment contains provisions allowing the parties to carry over into the succeeding year a portion of their unused groundwater pumping rights and in some cases to over extract it. This flexibility is necessary to meet unforeseen emergencies in water demand. The carryover provision is limited to 100% of a party’s adjudicated rights less the water they have in storage, or 20% of their adjudicated rights, whichever is greater. Parties are also
allowed to over extract their rights by 10% of their adjudicated rights or 2 acre-feet, whichever is greater. The court retains jurisdiction to allow over extraction in greater amounts. West Coast Basin groundwater pumping rights are freely transferable, and there are many groundwater pumping right leases and sales between the parties each year.

**Central Basin Adjudication.** The Central Basin area was initially developed for agriculture, but was rapidly urbanized in the early to mid-1900s. Because of increased population and urbanization, groundwater production was increased, and the area lost a large amount of return flow. The lining of the Los Angeles River eliminated a major source of recharge for the Central Basin aquifers. Development in the San Gabriel Valley, upstream from the Central Basin, further reduced the amount of water flowing into the Central Basin.

Groundwater extractions rose from slightly more than 150,000 acre-feet in the mid-1930’s to nearly 300,000 acre-feet by the end of the 1950’s. The Department of Water Resources calculated that Central Basin’s annual overdraft in 1957 was about 103,000 acre-feet. By 1960, it was 149,200 acre-feet. In the Central Basin, water levels fell 100 feet through the 1940’s and 1950’s. By 1960, accumulated overdraft in the Central Basin totaled about 1,000,000 acre-feet.

On January 3, 1962, the WRD sought to adjudicate the water rights in the Central Basin by filing Case No. 786 656, naming more than 700 parties as defendants. The lawsuit sought to quiet title to the right to use groundwater and to regulate withdrawals from the Central Basin to protect the water supply. Members of the Central Basin Association voluntarily agreed to curtail extractions from the Central Basin. Eventually, a stipulated judgment was approved by water pumpers representing over 75% of total groundwater pumping rights within the Central Basin. After trial, the court entered its order on October 11, 1965, and the judgment (the Central Basin Judgment) became effective on October 1, 1966.

The Central Basin Judgment limits the amount of groundwater each party can extract annually from the Central Basin. This limit is referred to as the “Allowed Pumping Allocation.” To provide flexibility in the control of groundwater extractions, the Central Basin Judgment contains provisions allowing the parties to carry over into the succeeding year a portion of their unused water right and in some cases to over extract it. This flexibility is necessary to meet unforeseen emergencies in water demand. The carryover provision is limited to the greater of 1) 60% of a party’s Allowed Pumping Allocation or 20 acre-feet, whichever is greater, less the amount of water they have in storage, or 2) 20% of their Allowed Pumping Allocation. Parties are also allowed to over extract their groundwater pumping rights by 20% of their Allowed Pumping Allocation or 20 acre-feet, whichever is greater. Under certain circumstances, parties may over extract in greater amounts upon prior approval from the Watermaster for the Central Basin. Over extraction must be made up in the following fiscal year unless the Watermaster grants relief due to hardship, which allows the over extraction to be made up over a five-year period. Central Basin groundwater pumping rights are freely transferable, and there are many groundwater right leases and sales between parties each year.

The powers that are held and carried out by the WRD under the Water Code were confirmed by the courts in 2001. A limited group of groundwater producers in the Central Basin filed a legal proceeding to change the terms of the Central Basin Judgment in a way that proposed to allocate all of the available groundwater storage space in the Central Basin exclusively among the groundwater pumping right holders under the Central Basin Judgment. The WRD opposed that proposal on several grounds, including the ground that the proposed allocation was inconsistent with the WRD’s statutory powers under the Water Code. The Trial Court agreed with the WRD, finding in part that:

“[A] basin’s storage space is a public resource and as such, the Legislature has provided a framework for that public resource to be administered in this region by [the WRD]; furthermore, [the WRD] has the statutory authority to replenish and store waters for conjunctive use management.”

33
The Court of Appeal upheld the Trial Court ruling in 2003 and the California Supreme Court declined to consider the case. Therefore, pursuant to the express provisions of the Water Code and the case law interpreting its scope, the WRD is authorized to carry out and manage conjunctive use storage projects in the Central and West Groundwater Basins.

In December 2013, the Central Basin Judgment was amended, which, among other things, provided a framework for groundwater storage and transferred the court appointed Watermaster from the Department of Water Resources to a local governance structure composed of WRD and water rights holders. With this amendment, the annual groundwater pumping rights remained at 217,367 acre-feet, however, provisions for the greater flexibility in the management of these rights were provided as well as a framework for the utilization of the estimated 330,000 acre-feet of available storage space.

**San Gabriel River Adjudication.** The Whittier Narrows is located at the north end of the Central Basin. Historically, there were significant flows of freshwater from the San Gabriel Valley (upper area) into the Central Basin (lower area) through the Whittier Narrows. With more active water pumping in the upper area, there was a significant decrease in supply flowing to the Central Basin from the San Gabriel Valley. Water passing from the main San Gabriel Basin to the Central Basin at the Whittier Narrows decreased from an average of 74,557 acre-feet per year during the 1940’s to an average of 15,164 acre-feet per year during the 1950’s.

After discussion between parties on either side of the narrows failed to reach a solution that would assure continued supplies to the Central Basin, the Cities of Long Beach and Compton and the Central Basin Municipal Water District filed suit against the upper area pumpers on May 12, 1959, prior to the formation of WRD in December of that year. The complaint alleged that increased water pumping by defendants in the upper area had led to the removal of more water from the upper area than was being replenished annually, thereby causing harm to the lower area. The plaintiffs requested a determination of the upper area parties’ groundwater pumping rights, and an injunction restraining them from interfering with lower area rights to San Gabriel River system water.

After protracted negotiations, the case was eventually settled. The stipulated judgment (the “Long Beach Judgment”) was entered and ruled valid in the Superior Court on September 24, 1965. The Long Beach Judgment decrees that the lower area is entitled to a determinable amount of “usable water” each year. The entitlement depends on rainfall conditions in the San Gabriel Valley. The lower area is entitled to a long-term average of 98,415 acre-feet of usable water per year, which is keyed to the long-term average annual rainfall in the San Gabriel Valley of 18.5 inches.

The entitlement is compared with the amount actually received across the Whittier Narrows from the upper area. Usable water is calculated from measurements of surface and subsurface flow, water exported to the lower area, replenishment water, reclaimed water, make-up water, estimates of unusable surface flows and recirculation of measured water. The Long Beach Judgment provides a system of accrued debits and credits to account for differences between the annual entitlements and the amounts of usable water received by the lower area.

When a water year results in an accrued shortfall, the upper area must supply make-up water to the lower area in the following water year. Make-up water must be of usable quality and consists of surface deliveries of supplemental imported water or reclaimed water. The upper area’s make-up water obligation for a given water year is either one-third of the accrued shortfall, or enough to reduce the accrued shortfall to no more than 25,000 acre-feet, whichever is greater. Because of its low cost and high quality compared with other local or imported water sources, recycled water from the Whittier Narrows or San Jose Creek Reclamation Plants is purchased by the upper area whenever possible for delivery as make-up water to the lower area.
The Long Beach Judgment also provides for a long-term accounting procedure, which represents an attempt to keep the average amount of usable water supplied to the lower area close to the long-term average of 98,415 acre-feet per year. A long-term accounting must be made every 15 to 25 years, depending upon rainfall conditions. The long term accounting compares the total usable water received by the lower area during the accounting period with the lower area’s entitlement over that period. If there has been a deficiency in flows of usable water, the upper area is required to deliver additional make-up water over a three-year period.

In some circumstances, the delivery of make-up water can be satisfied through a cash payment. Central Basin Municipal Water District has historically acted as trustee of funds paid under the make-up provision, and maintained such accumulated funds in the “Long Beach Trust Fund.” These funds are periodically made available to lower area water pumpers as an aid in improving lower area water supplies. Under agreement by the original Lower Area Plaintiffs (City of Long Beach, Central Basin MWD, and the City of Compton), these three entities in 2018 stipulated to have WRD replace them as the new Plaintiff in the Long Beach Judgment since WRD best represents the interests of all groundwater users in the Lower Area. Once confirmed by the Court, WRD will assume responsibility for all Lower Area activities under the Long Beach Judgment.

Sources of WRD Water

The WRD’s sources of water for groundwater replenishment of the Basins consist of natural precipitation, storm water inflow, subsurface inflow, and purchases of water from the Los Angeles County Sanitation District No. 2 (the “County Sanitation District”), the Central Basin Municipal Water District, the West Basin Municipal Water District, the City of Los Angeles Department of Water and Power and the City of Long Beach. In addition, the WRD has an “in-lieu program” pursuant to which the WRD pays water pumpers to take imported water instead of pumping groundwater with the effect of replenishing the Basins through decreased groundwater pumping.

The arrangements under which the WRD receives or purchases water under each of these options is described below. The WRD has the flexibility to purchase water under each agreement described below according to its needs and it has no obligations to purchase water in any minimum amounts pursuant to any agreement with any entity.

Surface and Subsurface Flows. The WRD obtains the water that flows into the Basins from surface flows (infiltration of precipitation, storm water run-off), and subsurface flows (underflow from adjacent basins) at no cost. In the Montebello Forebay portion of the WRD, where most recharge occurs, during the fiscal years 2012-13 through 2016-17, surface flows have ranged from 2,500 acre-feet to 77,125 acre-feet annually, and subsurface flows have ranged from 23,500 acre-feet to 35,700 acre-feet annually.

County Sanitation District Water. The WRD purchases recycled water from the County Sanitation District that the WRD uses exclusively for spreading and percolation into the Basins.

An agreement, dated May 8, 1968, between the WRD and the County Sanitation District grants the WRD the exclusive right to purchase for spreading into the Central Basin all of the recycled water from Stage 1 of the County Sanitation District’s San Jose Creek Reclamation Plant and an expansion of the Whittier Narrow Reclamation Plant, which total approximately 37,500 acre-feet annually. The purchase price of such reclaimed water is currently $41.00 per acre-foot, and is subject to adjustment every three years. This agreement is in effect for so long as such reclamation plants are operated by the County Sanitation District.
A second agreement, dated April 1, 1975, is an “interim agreement” among the WRD, the County Sanitation District and County Flood Control District. This agreement deals with the sale, spreading, and purchase of recycled water from the original Whittier Narrows Plant, (not the expanded plant described in the May 8, 1968 agreement described above) as defined in the 1961 version of such interim agreement. This 1975 interim agreement commenced on the date that the 1961 version of such interim agreement terminated. The Term of this interim agreement is indefinite, subject, however, to the right of any party to terminate upon thirty days written notice. The County Sanitation District agrees to deliver to County Flood Control and County Flood Control agrees to accept for spreading, approximately 10,000,000 gallons per day (or 33 acre-feet per day) of recycled water or such additional quantities as may be available. Under this interim agreement the WRD agrees to pay to the County Sanitation District (i) for the first 50,000 acre-feet of recycled water purchased from the Whittier Narrows Plant, a melded rate of $41 per acre-foot, and (ii) for any amounts in excess thereof, a melded rate of $287 per acre-foot. For fiscal year 2018-19, the WRD has budgeted for a purchase of 63,000 acre-feet under such interim agreement.

A third agreement, dated July 1, 2013 between the WRD and the County Sanitation District supersedes and replaces the above agreements and any other agreement between the WRD and the County only with respects to the purchase and sale of recycled water. The agreement is for a period of 30 years with an option to renew for an additional 25 years. The County will provide up to 83,000 acre-feet per year to the WRD in three separate allotments:

- Tertiary Groundwater Recharge Allotment that includes up to 50,000 acre-feet per year at transitional pricing;
- A GRIP allotment of up to 23,000 acre-feet per year, for a combination of Advanced Water Treatment Facility supply and tertiary groundwater recharge, priced according to the Shared Savings Pricing Plan; and
- A Leo J. Vander Lans Advanced Water Treatment Facility allotment of up to 10,000 acre-feet per year priced according to the Shared Savings Pricing plan.

**Central Basin Municipal Water District.** The WRD purchases imported water from the Central Basin Municipal Water District (“CBMWD”), a Metropolitan Water District of Southern California (“MWD”) Member Agency, for spreading into the basins. The purchase prices of such water are set from time to time by the CBMWD. The WRD’s price for such water is significantly affected by the water pricing policies of the MWD because CBMWD purchases all of its water sold for replenishment from MWD. WRD under its “Water Independence Now” or WIN program has the goal of eliminating the need for imported water and to replace it with recycled water from its GRIP and Leo J. Vander Lans facilities. However, the option will remain open to purchase imported water from CBMWD in the future should opportunities arise for discounted water prices or for groundwater storage projects.

**West Basin Municipal Water District.** The WRD purchases imported and recycled water from the West Basin Municipal Water District (“WBMWD”) for injection into the basins. The purchase prices of such water are set from time to time by the WBMWD. The WRD’s price for such imported water is significantly affected by the water pricing policies of MWD because WBMWD purchases the major portion of its water from MWD. For the recycled water, the WRD has entered into an agreement with WBMWD which will expire no later than January 27, 2030, in which the WRD has agreed to purchase each year up to 12,500 acre-feet of recycled water at the current barrier recycled rate of $458 per acre-foot, adjusted annually for inflation.
City of Los Angeles Department of Water and Power. The WRD purchases imported and recycled water from Los Angeles for injection into the Dominguez Gap Barrier, a seawater barrier in the West Coast Basin.

City of Long Beach. The WRD purchases imported water from Long Beach for injection into the Alamitos Barrier, a seawater barrier in the Central Basin.

In-Lieu Program. The WRD has operated an “in-lieu” program, pursuant to which the WRD offers financial incentives to its water pumpers to forego pumping water on an annual basis in order to preserve the WRD’s groundwater supply. The amount of the incentive is established so that the cost to the pumpers of purchasing imported water from MWD would be less costly than pumping water from the basins.

Set forth below is Table 1 which shows a 5-year historical and 1-year projected cost to the WRD of water for replenishment. Set forth below in Table 2 is a 5-year historical and 1-year projected quantity of water that the WRD purchased or acquired from various sources.
### TABLE 1

**FIVE-YEAR HISTORICAL AND ONE-YEAR PROJECTED COST OF REPLENISHMENT WATER**

<table>
<thead>
<tr>
<th>Water Year(1)</th>
<th>Imported Spreading Water Cost</th>
<th>Recycled Spreading Water Cost</th>
<th>West Coast Barrier Recycled Injection Water</th>
<th>Dominguez Gap Recycled Injection Water</th>
<th>West Coast and Dominguez Gap Imported Water</th>
<th>Alamitos Barrier Imported Water</th>
<th>In Lieu</th>
<th>Total Cost of Replenishment Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,780,400</td>
<td>$7,151,062</td>
</tr>
<tr>
<td>2014-15</td>
<td>$10,775,963</td>
<td>$7,151,062</td>
<td></td>
<td>$3,568,123</td>
<td>$10,488,811</td>
<td>$3,691,851</td>
<td>$2,028,005</td>
<td>$28,708,253</td>
</tr>
<tr>
<td>2015-16</td>
<td>14,094,653</td>
<td>8,274,283</td>
<td>3,469,017</td>
<td>4,587,516</td>
<td>8,204,225</td>
<td>1,450,985</td>
<td>6,241,887</td>
<td>43,891,779</td>
</tr>
<tr>
<td>2016-17</td>
<td>19,628,953</td>
<td>8,581,927</td>
<td>1,295,632</td>
<td>8,204,225</td>
<td>3,107,866</td>
<td>–</td>
<td>43,521,946</td>
<td>34,072,700</td>
</tr>
<tr>
<td>2017-18*</td>
<td>12,355,656</td>
<td>12,491,100</td>
<td>6,926,400</td>
<td>3,441,726</td>
<td>574,365</td>
<td>–</td>
<td>40,174,247</td>
<td>35,137,126</td>
</tr>
<tr>
<td>2018-19**</td>
<td>6,578,992</td>
<td>14,030,100</td>
<td>7,315,200</td>
<td>428,314</td>
<td>1,826,520</td>
<td>–</td>
<td>–</td>
<td>35,137,126</td>
</tr>
</tbody>
</table>

* Estimated.
** Projected.

(1) Water year is October 1 through September 30.

Source: The WRD.
TABLE 2
FIVE-YEAR HISTORICAL AND ONE-YEAR PROJECTED QUANTITY OF
REPLENISHMENT WATER PURCHASED OR ACQUIRED FROM VARIOUS SOURCES
(Acre-Feet)

<table>
<thead>
<tr>
<th>Water Year(1)</th>
<th>Spreading</th>
<th>Injection</th>
<th>In-Lieu</th>
<th>Other Local Water(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Imported Water</td>
<td>Reclaimed Water</td>
<td>Local Water</td>
<td>West Coast Barrier</td>
</tr>
<tr>
<td>2013-14</td>
<td>–</td>
<td>55,647</td>
<td>–</td>
<td>5,826</td>
</tr>
<tr>
<td>2014-15</td>
<td>18,515</td>
<td>44,349</td>
<td>15,892</td>
<td>3,582</td>
</tr>
<tr>
<td>2015-16</td>
<td>23,961</td>
<td>57,859</td>
<td>14,136</td>
<td>1,520</td>
</tr>
<tr>
<td>2016-17</td>
<td>32,895</td>
<td>63,961</td>
<td>70,027</td>
<td>4,083</td>
</tr>
<tr>
<td>2017-18*</td>
<td>8,000</td>
<td>59,870</td>
<td>40,000</td>
<td>2,620</td>
</tr>
<tr>
<td>2018-19**</td>
<td>8,000</td>
<td>60,000</td>
<td>54,000</td>
<td>–</td>
</tr>
</tbody>
</table>

* Estimated.
** Projected.
(1) Water year is October 1 through September 30.
(2) Local water supplies enter the Basins at no cost to the WRD.
Source: The WRD.
Southern California’s Water Supply

The ability of the WRD to operate effectively is affected by the overall water supply to southern California. MWD is the major supplier of water to six counties in southern California. The adequacy of MWD’s water supply is affected by the growing population within the southern California area, the increased competition for low-cost supplies, increased environmental regulations for clean and safe water, increased costs of developing new supplies of water, and periodic droughts. The adequacy of MWD’s overall supply in the future may be affected by the ability of the State Water Project operated by the Department of Water Resources (the “SWP”) to meet its contractual obligations to MWD by providing water to MWD via the California Aqueduct, any adjustments in the MWD’s rights to water from the Colorado River, and various other factors. To meet these challenges MWD adopted an Integrated Resources Plan in 1996. The purpose of this plan is to ensure a reliable and high-quality water supply, coordinate planning activities among all of southern California’s water suppliers, avoid redundant investments and provide a flexible and balanced planning framework. The Integrated Resources Plan calls for a water supply mix for southern California consisting of imported water from the State Water Project and the Colorado River Aqueduct, water transfer agreements primarily with agricultural water districts, storing surplus imported water during winter months in local reservoirs and groundwater basins, the use of recycled water for non-potable purposes, and water conservation.

With this and other programs in place, MWD, in its 2010 Integrated Resources Plan (the “IRP”), has established a planning framework that sets the stage for programs that will ensure reliability to its member agencies through 2035. The IRP also places in motion a baseline set of supply and conservation initiatives and sets the stage for additional short-term actions if they prove necessary. However, these assumptions may be affected by the final determination of certain environmental challenges (see “BONDHOLDERS’ RISKS – Environmental Considerations” herein) and other unforeseen events.

MWD has many other ongoing projects and programs aimed at increasing water supply reliability and reducing the vulnerability due to water droughts. Such programs include funding for local reclaimed and groundwater recovery projects, water transfer projects, conservation projects, and off-river, groundwater, and regional storage projects. MWD faces various serious challenges in the continued supply of imported water to its members and stakeholders, including the WRD. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated, for the benefit of owners of certain of its outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act (“Rule 15c2-12”) and annual audited financial statements with certain information repositories. MWD has not entered into any contractual commitment with the Authority, the WRD, the Trustee or the Owners of the Bonds to provide information. MWD has not reviewed this Official Statement and has not made any representations or warranties with respect to the accuracy or completeness of the information contained or incorporated herein, including information with regard to MWD.

MWD’s Internet home page is located at www.mwdh2o.com, and MWD’s most recent audited financial statements are included at this Internet address. This internet address is included for reference only and the information on such internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on any Internet site.
WRD Water Production

The Central Basin Judgment and the West Basin Judgment limit the amount of groundwater that can be pumped from the Basins. There are 186 entities that have adjudicated rights to pump groundwater from the Basins, of which 88 are active. Over half of the groundwater is pumped by ten of these pumpers. Set forth below in Table 3 is a 5-year history of the total groundwater pumped from the Basins by all active pumpers and a projection of total groundwater expected to be pumped from the Basins by all active pumpers in fiscal year 2018-19. All of such pumpers are assessed a Replenishment Assessment of the water pumped from the Basins. Table 4 lists the top twenty groundwater pumpers for the fiscal year 2017-18. See “FINANCIAL OPERATIONS - Replenishment Assessments and other Revenues.” [COMPARE TO ANNUAL REPORT]

TABLE 3

AGGREGATE GROUNDWATER PUMPING
(Acre-Feet)

<table>
<thead>
<tr>
<th>Water Year(1)</th>
<th>Central Basin</th>
<th>West Coast Basin</th>
<th>Total Pumping from Basins</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>199,549</td>
<td>42,502</td>
<td>242,051</td>
</tr>
<tr>
<td>2014-15</td>
<td>173,865</td>
<td>36,328</td>
<td>210,193</td>
</tr>
<tr>
<td>2015-16</td>
<td>184,016</td>
<td>30,849</td>
<td>214,865</td>
</tr>
<tr>
<td>2016-17</td>
<td>183,268</td>
<td>29,425</td>
<td>212,693</td>
</tr>
<tr>
<td>2017-18*</td>
<td>189,900</td>
<td>31,600</td>
<td>221,500</td>
</tr>
<tr>
<td>2018-19**</td>
<td>190,500</td>
<td>31,500</td>
<td>222,000</td>
</tr>
</tbody>
</table>

* Estimated.
** Projected.
(1) Water Year is October 1 through September 30.
Source: The WRD.
## TABLE 4

GROUNDWATER PUMPING BY TOP 20 WATER PUMPERS  
(Fiscal Year 2017-18)

<table>
<thead>
<tr>
<th>Pumpers</th>
<th>Acre-Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Long Beach</td>
<td>30,022</td>
</tr>
<tr>
<td>Golden State Water (So Ca Wtr)</td>
<td>29,268</td>
</tr>
<tr>
<td>California Water Service</td>
<td>13,472</td>
</tr>
<tr>
<td>City of Downey</td>
<td>14,796</td>
</tr>
<tr>
<td>City of Cerritos</td>
<td>7,916</td>
</tr>
<tr>
<td>City of South Gate</td>
<td>7,981</td>
</tr>
<tr>
<td>Tesoro Refining &amp; Marketing Co</td>
<td>5,581</td>
</tr>
<tr>
<td>City of Compton</td>
<td>7,517</td>
</tr>
<tr>
<td>City of Vernon</td>
<td>6,405</td>
</tr>
<tr>
<td>City of Huntington Park</td>
<td>3,806</td>
</tr>
<tr>
<td>City of Lakewood</td>
<td>9,136</td>
</tr>
<tr>
<td>City of Paramount</td>
<td>6,031</td>
</tr>
<tr>
<td>City of Lynwood</td>
<td>5,435</td>
</tr>
<tr>
<td>Phillips 66 Company</td>
<td>5,584</td>
</tr>
<tr>
<td>City of Pico Rivera</td>
<td>4,466</td>
</tr>
<tr>
<td>Liberty Utilities Corporation</td>
<td>5,410</td>
</tr>
<tr>
<td>Bellflower-Somerset</td>
<td>5,243</td>
</tr>
<tr>
<td>Montebello Land &amp; Water</td>
<td>3,061</td>
</tr>
<tr>
<td>City of Whittier</td>
<td>3,635</td>
</tr>
<tr>
<td>City of Los Angeles DWP</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>174,764</strong></td>
</tr>
</tbody>
</table>

*Source: The WRD.*
Comparison of the Cost of Groundwater and Imported Water

Currently, groundwater provided by the WRD is less expensive for WRD pumpers than is the cost of imported water. The cost of pumping WRD groundwater consists of the payment of the Replenishment Assessment plus the energy cost of pumping the groundwater. Table 5 below sets out a comparison between the costs of pumping WRD groundwater and purchasing imported water from the Central Basin Municipal Water District and the West Basin Municipal Water District for fiscal year 2018-19.

TABLE 5

<table>
<thead>
<tr>
<th></th>
<th>Groundwater(1)</th>
<th>Imported Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Basin</td>
<td>$539</td>
<td>$1,185</td>
</tr>
<tr>
<td>West Basin</td>
<td>539</td>
<td>1,385</td>
</tr>
</tbody>
</table>

(1) The total cost of pumping an acre-foot of groundwater is comprised of a Replenishment Assessment of $339 per acre-foot and an average energy cost water treatment and operating and maintenance costs associated with pumping of approximately $200 per acre-foot.

(2) Central Basin – January 1, 2019 to June 30, 2019 - MWD Commodity Rate of $1,050, and Central Basin Surcharge of $135 aggregating $1,185 per acre-foot.

(3) West Basin – January 1, 2019 to June 30, 2019 - MWD Commodity Rate of $1,050, MWD readiness-to-serve charge of $98 and West Basin Surcharge of $237 aggregating $1,385 per acre-foot.

Source: The WRD.

Five-Year Capital Improvement Program

The WRD approves a five-year capital improvement program around November of each year. The WRD anticipates a total of $_______ in capital improvement projects over the next five fiscal years including the Project. See “THE PLAN OF FINANCE” herein. The WRD expect to finance such projects through bond financings, grants and available funds on hand.

FINANCIAL INFORMATION OF THE WRD

Replenishment Assessments and Other WRD Revenues

Replenishment Assessments. The Water Code permits the WRD to levy a Replenishment Assessment on pumpers that pump groundwater from the Basins. Such provisions require that the Board order, no later than the second Friday in February of each year, an engineering survey and report (the “Survey”) to be prepared regarding the groundwater supplies in the WRD. Based on the Survey, the Board may declare whether funds shall be raised for the purposes of purchasing water for replenishment or removing contaminants from groundwater supplies during the next ensuing fiscal year and whether such funds shall be raised by a water charge, general tax assessment or a Replenishment Assessment or a combination of the foregoing.

If the Board determines that funds shall be raised by the levy of a Replenishment Assessment, the Board must give notice and hold a public hearing to determine whether and to what extent the estimated costs thereof for the ensuing year shall be paid for by a Replenishment Assessment. Upon completion of the hearing, the Board must make certain findings and determine (i) what portion, if any, of the estimated cost of purchasing water for replenishment for the ensuing fiscal year (which may include an amount not to exceed 25% of the immediately preceding portion for the purchase of water in the ensuing fiscal year which may be unavailable in such fiscal year) shall be paid for by a Replenishment Assessment.
(“Replenishment Assessment for Replenishment Purposes”), (ii) what portion, if any, the District’s capital expenditures and payment of debt service for the ensuing fiscal year shall be paid for by a Replenishment Assessment (“Replenishment Assessment for Capital Projects and Debt Service”), and (iii) what portion of the estimated costs of removing contaminants from groundwater supplies and taking other actions related thereto during the ensuing fiscal year shall be paid for by a Replenishment Assessment (“Replenishment Assessment for Clean Water Purposes” and collectively with the Replenishment Assessment for Replenishment Purposes and the Replenishment Assessment for Capital Projects and Debt Service, the “Replenishment Assessment”).

During the annual budget process, the District holds 10-12 public workshops for pumpers to provide input on the ensuing year’s budget and proposed replenishment assessment. The annual budget is presented to the WRD’s Finance/Audit Committee, its Budget Advisory Committee (the “BAC”), and the WRD Board, beginning in February and going through May each year. The BAC is a seven-member committee established pursuant to Section 60233 of the Water Code. Membership is open to any producer who is the owner or operator of groundwater producing facilities subject to the Replenishment Assessment levied by the WRD. Members are nominated and elected by the pool of eligible producers. The BAC is responsible for reviewing the District’s annual budget, the Replenishment Assessment and District’s reserve fund balances. The Committee provides a recommendation to the WRD Board on the ensuing year’s Replenishment Assessment. Prior to the establishment of the BAC, the WRD had previously instilled its own Audit/Budget Advisory Committee (“ABAC”) for the two years prior. The Water Code states that the BAC will shall become inoperative on June 30, 2019, and as of January 1, 2020, is repealed. The BAC and the ABAC before it, provides the District with valuable feedback to the District and on June 13, 2018, the Board of Directors adopted Resolution 18-1078 which amends the District’s Administrative Code to include the BAC as a part of the District's budgeting process in perpetuity. The WRD also complies with a Proposition 218-like process and develops a Cost of Service Report for each fiscal year.

The Replenishment Assessment provides for sufficient revenue to pay operating expenses for the District’s water replenishment and clean water projects, capital pay-go projects as well as debt service payments (the “Replenishment Purposes”).

The amount of the Replenishment Assessment for Clean Water Purposes, exclusive of Replenishment Purposes and WRD administrative and overhead expenses, that is levied may not exceed 150% of the average assessment levied for the current and four preceding fiscal years, exclusive of WRD administrative and overhead expenses. The Replenishment Assessment for Replenishment Purposes shall not be utilized for the direct costs of prevention and removal of contaminants. Any part of the Replenishment Assessment for Clean Water Purposes that remains unexpended and unobligated for five fiscal years after the last obligation thereof or a shorter period as determined by the Board, shall be deemed to have been levied for other costs and expenses for which a Replenishment Assessment is authorized by the Water Code.

Section 60317 of the Water Code provides that upon the Board’s making such determinations, the Board shall levy a Replenishment Assessment for Replenishment Purposes commencing on the ensuing July 1. The WRD has levied a Replenishment Assessment on groundwater pumpers in the WRD during every fiscal year beginning in 1959. The Replenishment Assessment levied by the WRD includes three components, as permitted by the Water Code: the Replenishment Assessment for Replenishment Purposes, the Replenishment Assessment for Clean Water Purposes and the administrative assessment. (The component of the Replenishment Assessment allocated for administrative purposes is included within the other two components of the Replenishment Assessment on a pro rata basis for purposes of the definitions of “Replenishment Assessment for Replenishment Purposes” and “Replenishment Assessment for Clean Water Purposes” under the Installment Purchase Agreement and the Trust Agreement.)
Section 60245 of the Water Code states the following about the WRD’s ability to raise the replenishment assessment charged to the WRD’s customers prior to the beginning of each fiscal year in order to cover all costs associated with performing the duties and responsibilities of the WRD: “The board shall fix such rate or rates for the sale or exchange of water for replenishment purposes only as will result in revenues which will pay, insofar as practicable, the operating expenses of the district.” As such, the WRD holds public meetings and sets the Replenishment Assessment for the ensuing year via Board resolution no later than the second Tuesday in May each year. See also the discussion of Proposition 218 under “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.”

Should the Replenishment Assessment amounts raised pursuant to Section 60245 of the Water Code be insufficient to meet the WRD’s Replenishment Purposes, including but not limited to its obligations to pay debt service on the Bonds and its other outstanding obligations, Section 60250 of the Water Code permits the WRD to levy an additional tax in an amount sufficient to enable the District to pay the Replenishment Purposes. Such Section 60250 taxes are subject to approval by two-thirds of the District’s voters prior to being levied. Set forth in Table 6 is the Replenishment Assessment for the current fiscal year 2018-19 and the Replenishment Assessment for the prior four fiscal years.

**TABLE 6**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Replenishment</th>
<th>Clean Water</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>$251.92</td>
<td>$16.08</td>
<td>$268.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>265.19</td>
<td>17.81</td>
<td>283.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>276.67</td>
<td>20.33</td>
<td>297.00</td>
</tr>
<tr>
<td>2017-18</td>
<td>299.73</td>
<td>18.27</td>
<td>318.00</td>
</tr>
<tr>
<td>2018-19</td>
<td>316.48</td>
<td>22.52</td>
<td>339.00</td>
</tr>
</tbody>
</table>

*Source: The WRD.*

**Property Taxes.** The WRD receives a portion of the ad valorem taxes levied and collected by the County on real property and improvements in the WRD, and has done so in every year beginning in 1959.

**The Economics of the WRD**

To fund its operations, the WRD has statutory authority under the Water Code to set and collect the Replenishment Assessment on each acre-foot of groundwater that is pumped from the Basins. As part of the rate-setting process, the WRD annually conducts the Survey to determine the amount of groundwater it must return annually to the Basins and the Board then adopts a comprehensive budget for capital expenditures, replenishment water purchases, clean water-related activities, debt service, and operating expenses. The WRD must hold public hearings on its determination of the Replenishment Assessment and must establish the assessment by its first Board meeting in May of each year. See “FINANCIAL INFORMATION OF THE WRD - WRD Budgetary Process” below. The Water Code also allows the WRD to include in the Replenishment Assessment the amounts the WRD determines necessary to fund its programs that protect groundwater quality and its operating costs.

The WRD’s primary source of income is the Replenishment Assessment. The assessment has two major components: (1) funds to satisfy water replenishment to the Basins and (2) funds for clean water...
programs. The water replenishment component represents the cost to the WRD of purchasing water to actively replenish the Basins and any capital improvement project cost to augment or improve the WRD’s replenishment activities. The clean water component is intended to cover the cost of projects that will help remove contaminants from the groundwater supply. Projects range in complexity from wellhead treatment projects to the construction of a desalination facility.

Financial Statements

A copy of the most recently available audited financial statements of the WRD prepared by Vasquez & Company LLP, certified public accountants (the “Auditor”) are included as “APPENDIX A - COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2017 AND 2016” hereto (the “Financial Statements”). The Auditor’s letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the WRD as of June 30, 2017, and the results of its operations changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Auditor was not requested to consent to the inclusion of its report in Appendix A and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in the Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Historic Operating Results

The following Table 7 summarizes for the last five fiscal years, the revenues, expenses and changes in net assets of the WRD and the following Table 8 summarizes historical operating results and debt service coverage of the WRD. See “APPENDIX A - COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2017 AND 2016” attached hereto for the WRD’s most recently available audited financial statements.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
### TABLE 7
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(Fiscal Year Ended June 30)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water replenishment assessment</td>
<td>$58,665,579</td>
<td>$79,085,428</td>
<td>$58,128,626</td>
<td>$73,822,097</td>
<td>$69,533,034</td>
</tr>
<tr>
<td>Desalter assessment</td>
<td>840,559</td>
<td>517,963</td>
<td>619,806</td>
<td>–</td>
<td>334,381</td>
</tr>
<tr>
<td>Water treatment subsidies</td>
<td>377,650</td>
<td>182,649</td>
<td>412,706</td>
<td>355,914</td>
<td>267,559</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>502,917</td>
<td>368,083</td>
<td>691,718</td>
<td>395,322</td>
<td>127,210</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>60,386,705</td>
<td>80,154,123</td>
<td>59,852,856</td>
<td>74,573,333</td>
<td>70,262,184</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water supply management:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water purchases – injecting</td>
<td>24,496,761</td>
<td>23,385,697</td>
<td>17,798,133</td>
<td>21,344,615</td>
<td>26,257,086</td>
</tr>
<tr>
<td>Water purchases – spreading</td>
<td>1,780,436</td>
<td>14,325,715</td>
<td>16,290,901</td>
<td>22,333,722</td>
<td>10,707,564</td>
</tr>
<tr>
<td>Connection fees</td>
<td>1,285,551</td>
<td>2,586,820</td>
<td>4,010,063</td>
<td>2,242,926</td>
<td>1,970,371</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>44,086,875</td>
<td>69,991,319</td>
<td>51,786,834</td>
<td>62,347,174</td>
<td>55,235,875</td>
</tr>
<tr>
<td>Operating income before depreciation and amortization</td>
<td>16,296,330</td>
<td>10,162,804</td>
<td>8,066,022</td>
<td>12,226,159</td>
<td>15,026,309</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(2,028,005)</td>
<td>(6,241,887)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>14,268,325</td>
<td>3,920,917</td>
<td>8,066,022</td>
<td>12,226,159</td>
<td>15,026,309</td>
</tr>
<tr>
<td>Non-operating revenue(expense)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>544,319</td>
<td>581,180</td>
<td>585,957</td>
<td>613,015</td>
<td>658,531</td>
</tr>
<tr>
<td>Interest and investment earnings</td>
<td>244,961</td>
<td>163,704</td>
<td>562,438</td>
<td>864,242</td>
<td>1,027,074</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(3,130,364)</td>
<td>(2,144,351)</td>
<td>(2,148,519)</td>
<td>(2,875,746)</td>
<td>(6,174,350)</td>
</tr>
<tr>
<td>Election costs</td>
<td>(1,397,597)</td>
<td>–</td>
<td>(1,374,823)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other, net</td>
<td>45,682</td>
<td>4,102,881</td>
<td>4,192,116</td>
<td>3,270,421</td>
<td>3,640,850</td>
</tr>
<tr>
<td><strong>Total non-operating revenues, net</strong></td>
<td>(2,295,402)</td>
<td>1,305,818</td>
<td>3,191,992</td>
<td>497,109</td>
<td>(847,895)</td>
</tr>
<tr>
<td><strong>Net income before capital contributions</strong></td>
<td>11,467,405</td>
<td>8,839,178</td>
<td>7,254,280</td>
<td>8,708,321</td>
<td>10,066,351</td>
</tr>
<tr>
<td>Capital contributions – federal capital grants</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Capital contributions – state capital grants</td>
<td>6,207,226</td>
<td>1,109,714</td>
<td>450,878</td>
<td>7,550,656</td>
<td>11,600,940</td>
</tr>
<tr>
<td><strong>Total capital contributions</strong></td>
<td>6,207,226</td>
<td>1,109,714</td>
<td>450,878</td>
<td>7,550,656</td>
<td>11,600,940</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>55,608,713</td>
<td>70,068,653</td>
<td>80,017,545</td>
<td>87,722,703</td>
<td>103,981,680</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$73,283,344</td>
<td>$80,017,545</td>
<td>$87,722,703</td>
<td>$103,981,680</td>
<td>$125,648,971</td>
</tr>
</tbody>
</table>

* Estimated, actuals. Unaudited.

1. Disparities in WRD costs relate to (i) the availability or deliverability of water due to local conditions and (ii) the attractiveness of purchasing water from a specific source in a given year due to lower costs.

2. Includes payment of one-time litigation expenses. See “LITIGATION - Proposition 218 Litigation” herein.

Source: The WRD.
<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water replenishment assessment</td>
<td>$58,665,579</td>
<td>$79,085,428 *(1)</td>
<td>$58,128,626</td>
<td>$73,822,097</td>
<td>$69,533,034</td>
</tr>
<tr>
<td>Desalter assessment</td>
<td>840,559</td>
<td>517,963</td>
<td>619,806</td>
<td></td>
<td>184,600</td>
</tr>
<tr>
<td>Water treatment subsidies</td>
<td>377,650</td>
<td>182,649</td>
<td>412,706</td>
<td>355,914</td>
<td>230,511</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>502,917</td>
<td>368,083</td>
<td>691,718</td>
<td>395,322</td>
<td>127,210</td>
</tr>
<tr>
<td>Property taxes</td>
<td>544,319</td>
<td>581,180</td>
<td>585,957</td>
<td>613,015</td>
<td>658,531</td>
</tr>
<tr>
<td>Interest and investment earnings</td>
<td>244,961</td>
<td>163,704</td>
<td>562,438</td>
<td>864,242</td>
<td>1,027,074</td>
</tr>
<tr>
<td>Other, net</td>
<td>45,682</td>
<td>4,102,881</td>
<td>4,192,116</td>
<td>3,270,421</td>
<td>3,640,850</td>
</tr>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>$61,221,667</td>
<td>$85,001,888</td>
<td>$65,193,367</td>
<td>$79,321,011</td>
<td>$75,401,810</td>
</tr>
<tr>
<td>Less: Operations &amp; Maintenance *(2)</td>
<td>14,496,122</td>
<td>23,451,200 *(3)</td>
<td>14,873,310</td>
<td>14,658,774</td>
<td>16,265,761</td>
</tr>
<tr>
<td><strong>Net Revenue Before Water Purchase</strong></td>
<td>$46,725,545</td>
<td>$61,550,688</td>
<td>$50,320,057</td>
<td>$64,662,237</td>
<td>$59,136,049</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2004 Certificates *(4)</td>
<td>$953,956</td>
<td>$958,156</td>
<td>$686,403</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 2008 Certificates *(4)</td>
<td>1,315,775</td>
<td>1,297,313</td>
<td>826,706</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 2011 Certificates *(4)</td>
<td>3,253,813</td>
<td>4,297,913</td>
<td>2,687,756</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2015 Installment Agreement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,246,245</td>
<td>9,246,800</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td>$5,523,544</td>
<td>$6,553,382</td>
<td>$4,200,866</td>
<td>$9,246,245</td>
<td>$9,246,800</td>
</tr>
<tr>
<td><strong>Net Revenue Before Water Purchase</strong></td>
<td>$46,725,545</td>
<td>$61,550,688</td>
<td>$50,320,057</td>
<td>$64,662,237</td>
<td>$59,136,049</td>
</tr>
<tr>
<td>Less: Water Purchase Payments</td>
<td>29,590,753</td>
<td>46,540,119</td>
<td>36,913,524</td>
<td>47,688,400</td>
<td>38,935,021</td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>$17,134,792</td>
<td>$15,010,569</td>
<td>$13,406,533</td>
<td>$16,973,837</td>
<td>$20,201,028</td>
</tr>
<tr>
<td><strong>Debt Service Coverage</strong>(5)</td>
<td>3.10</td>
<td>2.29</td>
<td>3.19</td>
<td>1.84</td>
<td>2.18</td>
</tr>
</tbody>
</table>

*(1)* Fiscal year 2014-15 Replenishment Assessment revenue includes $10 million of Water Carryover Fund transfers.

*(2)* Excludes Water Purchase Payments.

*(3)* Includes payment of one-time litigation expenses. See “LITIGATION - Proposition 218 Litigation” herein.

*(4)* The 2004, 2008 and 2011 Certificates were refunded by the 2015 Bonds, which are secured by the installment payments payable pursuant to the 2015 Installment Agreement.

*(5)* Fiscal year 2014-15 Rate Covenant Debt Service Coverage would have been 2.93x excluding the one-time litigation expenses. Source: The WRD.
Projected Operating Results and Debt Service Coverage

The following Table 9 sets forth the projected operating results and debt service coverage for the fiscal years ending June 30, 2019 through June 30, 2023. Table 9 reflects certain significant assumptions concerning future events and circumstances. The financial forecast represents the WRD’s estimate of projected financial results based on its judgment of the most probable occurrence of future events. The assumptions set forth in the footnotes to the chart are material in the development of the WRD’s financial projections, and variations in the assumptions may produce substantially different financial results. **Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.**

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
### TABLE 9

**PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE**

*(Fiscal Year Ended June 30)*

<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water replenishment assessment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desalter assessment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water treatment subsidies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Operating Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and investment earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Operating Revenue**

Less: Operations & Maintenance<sup>(1)</sup>

**Net Revenue Before Water Purchase**

**Debt Service**

- 2015 Installment Agreement
- 2016 Installment Agreement
- 2018 Installment Agreement

**Total Debt Service**

**Debt Service Coverage Before Water Purchase**

**Net Revenue Before Water Purchase**

Less: Water Purchase Payments

**Net Revenue**

**Debt Service Coverage**

<sup>(1)</sup> Excludes Water Purchase Payments.

*Source: The WRD.*
Collection of Replenishment Assessments

The Water Code requires that after the WRD levies a Replenishment Assessment, the WRD shall give notice of the replenishment assessment rate to all operators of water-producing facilities in the WRD. The Water Code requires that each water-producing facility in the WRD shall file with the WRD on the last day of the month following the statement period, a sworn statement setting forth the total production in acre-feet of groundwater from such facility during the applicable month and the method or basis or computation of such groundwater production and such other information as the WRD may require. The Water Code requires that each groundwater pumper pay the WRD the Replenishment Assessment based on the amount of groundwater produced in monthly installments due on the last day for filing the groundwater production statement.

The Water Code requires that all water producing facilities within the WRD have a water measuring device affixed which can register the accumulated amount of groundwater produced. The Water Code permits the WRD to impose a penalty for late payment, and the Water Code provides that if any pumper knowingly fails to pay a Replenishment Assessment within 30 days of when due, the delinquency shall bear interest of 1% a month. The Water Code empowers the WRD to bring suit against any pumper for the collection of any delinquent Replenishment Assessment, interest or penalties. The WRD may seek an attachment against the property of any defendant without furnishing a bond or other undertaking. The Water Code also provides that the Superior Court may issue a temporary restraining order upon the filing by the WRD of a petition or complaint that payment is delinquent. The Superior Court may issue an injunction restraining the delinquent operator from operation of any water-producing facility when it is established that the defendant is delinquent in the payment of a Replenishment Assessment.

Currently, all of the WRD’s major water pumpers timely pay their Replenishment Assessments. Three of the WRD’s major water pumpers, the Cities of Downey, Signal Hill and Cerritos, ceased paying their respective Replenishment Assessments for water pumped beginning in March 2011 in connection with a lawsuit alleging failure of the WRD to follow Proposition 218 rate setting procedures. These users collectively represented approximately 10% of the WRD’s total Revenues. On August 24, 2015, the three litigant cities dismissed their litigation against the WRD. The parties entered into a Settlement Agreement (defined herein) and resolved all aspects of the subject litigation. All three litigant cities are currently paying their respective Replenishment Assessments. See “LITIGATION - Proposition 218 Litigation” herein.

Investment of WRD Funds

State statutes authorize the WRD to invest in obligations of the United States Government, state and local governmental agencies, negotiable certificates of deposits, bankers’ acceptances, commercial paper, reverse repurchase agreements and a variety of other investment instruments which are allowable under California Government Code Section 53600 et seq. The WRD’s Investment Policy is more restrictive than otherwise required under the California Government Code and requires that the WRD invest public funds in a manner which ensures the safety and preservation of capital while meeting reasonable anticipated operating expenditure needs, achieving a reasonable rate of return and conforming to all state and local statutes governing the investment of public funds.

THE AUTHORITY

The Water Replenishment District of Southern California Financing Authority is a joint exercise of powers agency organized under the laws of the State, and was formed pursuant to that certain Joint Exercise of Powers Agreement dated August 6, 2015 by and between the WRD and the California
Municipal Finance Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California. The Authority was specifically formed under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California for the purposes of (i) assisting the WRD with the financing and refinancing of District capital improvement projects, (ii) financing working capital for the WRD, and (iii) to take any and all other actions necessary and appropriate in order to accomplish such public purposes. The Authority is not engaged in any other activities.

The Authority has no taxing power. The Board of Directors of the WRD serves as the governing body for the Authority (the “Authority Board”) and the officers of the Authority shall be appointed by the Authority Board. The officers of the Authority may be directors or officers of the WRD serving ex officio. The WRD’s employees serve as the Authority’s staff.

The Authority has not entered into any material financing arrangements other than those referred to in this Official Statement. Further information concerning the Authority may be obtained from the Water Replenishment District, 4040 Paramount Boulevard, Lakewood, California 90712, telephone: (562) 921-5521.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIIIIB

Article XIIIIB of the California State Constitution (“Article XIIIIB”) limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978/79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIIIIB generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIIIIB includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The WRD is of the opinion that its charges do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIIIIB. The WRD has covenanted in the Installment Purchase Agreement, to the extent permitted by law, to fix, prescribe, levy, impose and collect Replenishment Assessments and other charges and fees for the sale, furnishing or supplying of water or other commodities to generate sufficient revenues to satisfy Purchase Payments and all other amounts due
and payable thereunder each fiscal year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Rate Covenants” above.

Article XIIIC and Article XIIID

**General.** Proposition 218, a state ballot initiative known as the “Right to Vote on Taxes Act” was approved by California voters on November 5, 1996 and, except for certain provisions that became effective on July 1, 1997, became effective on November 6, 1996. Proposition 218 added Article XIIIC, entitled “Voter Approval of Local Tax Levies” (“Article XIIIC”), and Article XIIID, entitled “Assessment and Property Related Fee Reform (“Article XIIID”), to the California Constitution. Article XIIIC and Article XIIID limit the imposition by a local government of “general taxes,” “special taxes,” “assessments” and “fees” or “charges.”

Article XIIIC, provides, among other things, that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local fee or charge. This extension of the initiative power is not limited by the terms of Article XIIIC to fees and charges imposed after November 6, 1996 and, absent other authority, could result in retroactive reduction in existing fees and charges. Although the terms “fees” and “charges” are not defined in Article XIIIC, the California Supreme Court, in Bighorn-Desert View Water Agency v. Kari Verjil; E.W. Kelley (July 2006), has stated that there is no basis for excluding from Article XIIIC’s authorization any of the fees subject to Article XIIID. If fees or charges charged or collected by the WRD are subjected to the initiative process and the outcome of any initiative proceedings results in a reduction or repeal of such fees or charges, the ability of the WRD to generate revenues sufficient to comply with its covenants under the Installment Purchase Agreement may be adversely affected. Furthermore, if voters were to approve an initiative lowering the WRD’s rates or charges, the WRD would need voter approval before it could change the rate or charge that had been set by initiative. The WRD could, however, increase a charge that was not affected by initiative or to impose an entirely new charge without voter approval.

The California Supreme Court further stated in Bighorn that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states: “Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996 general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protection by Section 10 of Article I of the United States Constitution.” Government Code Section 5854 appears to limit the voters’ power to repeal or reduce WRD fees and charges if such reduction would interfere with the payment of Purchase Payments. If Government Code Section 5854 becomes the subject of a challenge, however, no guarantee can be made that the courts will agree with such interpretation.

Article XIIID prohibits the assessment upon any parcel of property or upon any person “as an incident of property ownership” (defined to exclude fees for the provision of electrical or gas service) by a local government of any tax, assessment, fee or charge except voter-approved ad valorem property taxes and special taxes, fees or charges as a condition of property development, and assessments and “fees or charges for property related services” levied or imposed in accordance with the provisions of Article XIIID.

Under Article XIIID, revenues derived from a “fee” or “charge” (defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a
person as an incident of property ownership, including user fees or charges for a property related service”) may not exceed the funds required to provide the “property-related service” and may not be used for any purpose other than that for which the fee or charge was imposed. Further, the amount of a “fee” or “charge” may not exceed the proportional cost of the service attributable to the parcel, no “fee” or “charge” may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and no “fee” or “charge” may be imposed for general governmental service where the service is “available to the public at large in substantially the same manner as it is to the property owners.”

In addition, in order for a “fee” or “charge” to be imposed or increased, Article XIIID provides that, among other things, the parcel upon which a fee or charge is proposed for imposition must be identified, the amount of the fee or charge proposed to be imposed on each such parcel must be calculated, written notice by mail of the proposed fee or charge must be provided to the “record owner” of each identified parcel, and a public hearing must be conducted upon the proposed fee or charge. If written protests against the proposed “fee” or “charge” are presented by a majority of owners of the identified parcels, the fee or charge may not be imposed. The California Supreme Court in Bighorn indicated that once a property owner or resident has paid the connection charges and has become a customer of a public water agency, all charges for water delivery incurred thereafter are charges for a property-related service, whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee.

The California Supreme Court, in City of San Buenaventura v. United Water Conservation District (December 4, 2017) recently held that the groundwater pumping charges for the service the United Water Conservation District provides – that is, the conservation of limited groundwater stores, and remediation of the adverse effects of groundwater extraction – are not property-related. The WRD believes that its ability to set and collect Replenishment Assessments is not bound by or subject to Proposition 218.

Notwithstanding the foregoing, for the past four years, the WRD has followed the notice, hearing and protest procedures required by Article XIIID in connection with its collection of Replenishment Assessments and it currently plans to follow such notice, hearing and protest procedure in connection with future Replenishment Assessment increases in compliance with the Settlement Agreement. Upon the expiration of the Settlement Agreement, WRD may determine to discontinue the Proposition 218 majority protest proceedings with respect to setting its Replenishment Assessments. See “LITIGATION – Proposition 218 Litigation” herein.

The WRD is unable to predict how Article XIIIC and Article XIIID will be interpreted by the courts in the future. There can be no assurance that Article XIIIC and Article XIIID will not limit the ability of the WRD to charge and collect fees and charges for its water service, including the Replenishment Assessments, sufficient to enable the WRD to comply with its covenants under the Installment Purchase Agreement or that the ability of the WRD to generate revenues sufficient to pay principal and interest on the Bonds will not be adversely affected.

**Proposition 218 Litigation.** The District has settled certain lawsuits challenging the WRD’s Replenishment Assessments based on District’s alleged non-compliance with Proposition 218. See “LITIGATION - Proposition 218 Litigation” herein for a discussion of such lawsuits.

**Proposition 13**

Article XIII A of the California Constitution (“Article XIII A”) limits the taxing powers of California public agencies. Article XIII A provides that the maximum *ad valorem* tax on real property cannot exceed one percent of the “full cash value” of the property, and effectively prohibits the levying of any other *ad valorem* property tax except for taxes above that level required to pay debt service on voter-approved
general obligation bonds. “Full cash value” is defined as “the County Assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraisal value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast by the voters voting on the proposition.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIIIA and XIIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIIIA, XIIIC and XIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The WRD believes its water rates and charges are not taxes under Proposition 26. The WRD is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIID, and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives could be proposed and adopted affecting the WRD’s revenues or ability to increase revenues. The WRD is unable to predict either the likelihood of qualification for ballot or passage of these measures or the nature and impact of these measures on the finances or operations of the WRD.

RISK FACTORS

The following summaries do not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds, and the Official Statement should be read in its entirety.

Limitation of Pledged Revenues

The Bonds are limited obligations of the Authority payable as to the principal thereof, interest thereon and premiums, if any solely from and secured by Pledged Revenues, which consist primarily of Purchase Payments to be made by the WRD under the Installment Purchase Agreement, and by amounts on deposit in certain funds and accounts held under the Indenture. No representation or assurance can be made or given that the Pledged Revenues or Purchase Payments will be sufficient to pay maturing principal, including principal retired pursuant to sinking fund payments, and interest on the Bonds. In the event that
there are insufficient Pledged Revenues to make such payments, the Authority will not have any other source of funds from which it will be able to pay the principal of and interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Pledged Revenues.

The Purchase Payments are paid by the WRD to the Trustee on behalf of the Authority only after Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not immediately required) are paid. The Authority has no direct ability to affect or lower the amount of Operation and Maintenance Costs or to increase the amount of Net Revenues available for the payment of Purchase Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - WRD Funds and Accounts; Flow of Net Revenues” above.


Clean Water and Loss of Groundwater Supplies

The primary source of revenue for the WRD to pay Purchase Payments is derived from Replenishment Assessments levied on the pumping of groundwater from the Basins. If the Basins or portions thereof were to suffer contamination or other degradation in the quality of the water therein, the groundwater that could be pumped might be reduced and the Replenishment Assessments would correspondingly fall. Such degradation in water quality could result from further intrusion of seawater from the coastal areas, movement of saline plumes, contamination by industrial and other human activities, shifting of the aquifers and other barriers due to earthquakes and other geological activity, migration of contamination from other basins, and other reasons. As of the date of the Official Statement, the WRD has not experienced any substantial contamination or other degradation in the quality of the water. No assurance can be given that the WRD’s water quality will not be so adversely affected in the future.

Pricing and Other Policy Changes Adopted by Other Water Pumpers

The price of water for spreading and injection that the WRD purchases from other sources, including the County Sanitation District, Central Basin Municipal Water District and the West Basin Municipal Water District, may increase, with a resulting decrease in the Net Revenues available to pay Purchase Payments. The willingness of water pumpers in the WRD to pump groundwater also depends on the amount of the Replenishment Assessment that the WRD charges compared to the price of water available from other sources. If the price of alternative sources of water were to decrease, relative to the Replenishment Assessment, water pumpers may forego the pumping of WRD groundwater, with a resulting decrease in Net Revenues to pay Purchase Payments.

The pricing policies of MWD could adversely affect the Net Revenues of the WRD. If MWD were to increase its rates for water sold to the Central Basin Municipal Water District and the West Basin Municipal Water District, then the price of water charged to the WRD would increase and the WRD’s Net Revenues would decrease. If MWD were to significantly reduce its rates for water sold to the Central Basin Municipal Water District and the West Basin Municipal Water District, such alternative water sources could
be less expensive than the cost of the WRD’s water and the pumpers could elect to purchase such other water instead of purchasing WRD water and the WRD’s Net Revenues would decrease.

Limitations on WRD’s Ability to Increase Replenishment Assessments Between Years

The Water Code empowers the Board to annually fix and levy Replenishment Assessments for the ensuing fiscal year; however, the Water Code does not allow the Board to increase the Replenishment Assessment rate during such fiscal year should new circumstances require increase. In addition, the Board must hold a public hearing prior to levying a Replenishment Assessment, and the pumpers or others may resist an increase. Notwithstanding the rate covenant in the Installment Purchase Agreement, no assurance can be given that the Board will fix the rate for the Replenishment Assessment at a level to fully pay Purchase Payments should the WRD’s financial or other circumstances unexpectedly change during a fiscal year.

Operation and Maintenance Costs

There can be no assurance that the WRD’s Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not immediately required) will be consistent with the descriptions in this Official Statement. Changes in technology, changes in quality standards, availability and cost of water, loss of water pumpers, increased or decreased development, and increases in the cost of operation and/or other expenses could require increases in rates or charges in order to comply with the Rate Covenants described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - WRD Funds and Accounts; Flow of Net Revenues” and “- Rate Covenants” above.

Collection of Replenishment Assessments

As described under “FINANCIAL INFORMATION OF THE WRD - Collection of Replenishment Assessments,” the WRD collects Replenishment Assessments from pumpers in monthly installments based on the pumpers’ groundwater production. The Water Code provides that the WRD can bring suit against any pumper for the collection of any delinquent Replenishment Assessment. If a pumper refuses to pay or is delinquent in payment of the Replenishment Assessment, no assurances can be given that Net Revenues will not be adversely affected. See “LITIGATION - Proposition 218 Litigation” herein for a discussion of recent litigation with respect to the Replenishment Assessment.

Water Supply and Droughts

Governor's Executive Orders. From time to time, the State of California (the “State”) experienced severe droughts, which caused a significant reduction in the amount of water available from the California Aqueduct. Reductions were experienced in years 2000 through 2004 at 90%, 39%, 70%, 90% and 65% of requested deliveries, respectively, and more recently in 2013 through 2016 at 35%, 5%, 20% and 60%, respectively. The State in recent years has been facing water shortfalls. Most recently, on May 9, 2016, in response to a five-year drought, Governor Edmund G. Brown, Jr. issued an executive order which established a new water use efficiency framework for California. The order bolstered the State's drought resilience and preparedness by establishing longer-term water conservation measures that include permanent monthly water use reporting, new urban water use targets, reducing system leaks and eliminating clearly wasteful practices, strengthening urban drought contingency plans and improving agricultural water management and drought plans. On May 18, 2016, the State Water Resources Control Board (“SWRCB”) adopted a statewide water conservation approach that requires local water agencies to ensure a three-year supply assuming three more dry years like the ones the State experienced from 2012 to 2015. Water
agencies that face shortages under three additional dry years are required to meet a conservation standard equal to the amount of the shortage.

On April 1, 2015, Governor Brown issued an executive order (the “2015 Executive Order”) mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. The 2015 Executive Order provided that the actual mandatory reduction required of each water supplier by the SWRCB will vary based on per capita water usage, with those areas with high per capita water usage being required to achieve proportionately higher reductions than those areas with lower per capita water usage.

On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation to implement the 2015 Executive Order. The regulation became effective immediately upon approval by the Office of Administrative Law on May 15, 2015, and remained in effect for 270 days from such date. Under the regulation, 411 urban water providers in the State were classified into nine tiers and assigned a required conservation standard which is imposed on each tier. The tier classifications were based upon a water supplier's per capita water usage in the three-month period from July to September 2014. The conservation standard applied to the tiers ranges from a 4% reduction in total potable water production (although no water providers were proposed to be classified in such tier absent the demonstration by a water provider of satisfaction of certain specified criteria) to a 36% reduction in total potable water production from 2013 levels. As adopted, the regulation required areas with high per capita water usage to achieve proportionately greater reductions in water use than those with low use. The regulation provides that the 2,600 “small water suppliers” in the State that serve fewer than 3,000 customers or deliver less than 3,000 acre-feet of water annually are required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Commercial, industrial and institutional properties that are not served by a water supplier (or are self-supplied) are similarly required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Under the regulation, compliance by the 411 urban water suppliers were assessed for the period of June 2015 through February 2016 as compared to water usage in the corresponding prior timespan of June 2013 through February 2014. In addition to the total monthly water production and specific reporting on residential use and enforcement action previously adopted by the SWRCB, the regulation adopted May 5, 2015 also included new reporting requirements for urban water suppliers to include information on water use in the commercial, industrial and institutional sectors. In order to enforce compliance by water suppliers, the regulation authorized the SWRCB to issue informational orders, conservation orders or cease and desist orders requiring additional specific actions by a water supplier that was not meeting its conservation standard. Failure to provide information requested pursuant to an informational order within the required timeframe would be subject to civil liability of up to $500 per day for each day out of compliance. Water agencies that violated cease and desist orders were subject to a civil liability of up to $10,000 a day.

On November 13, 2015, Governor Brown issued Executive Order B-36-15, which called for an extension of urban water use restrictions until October 31, 2016 should drought conditions persist through January 2016. On February 2, 2016, the reductions mandated by the 2015 Executive Order were extended through October 31, 2016. On May 9, 2016, the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB’s emergency water conservation regulations through the end of January 2017 (the “2016 Executive Order”). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the “2016 SWRCB Regulation”) that replaces its February 2, 2016 emergency regulation and extends through January 31, 2017.

The 2016 SWRCB Regulation requires urban water suppliers to develop conservation standards based upon each urban water supplier's specific circumstances and replacing the prior percentage reduction-based water conservation standard described above.
On April 7, 2017, the Governor issued an executive order (the “2017 Executive Order”) which terminates the January 17, 2014 executive order discussed above (except with respect to certain counties within the State) and rescinds the 2015 Executive Order. The 2017 Executive Order continues to require the SWRCB to develop standards for urban water suppliers to set water use efficiency targets and restrict wasteful water use, as provided in the 2016 Executive Order. Currently, most of Los Angeles County is experiencing severe drought and precipitation was approximately 31% of average through April 2018 for downtown Los Angeles.

**Drought Response Actions and Impact.** The impact of the drought on the WRD has been much less severe than the drought’s impacts on water suppliers in other parts of California, particularly those in northern and central California that are reliant on snowpack for water supply. The reduction in need for the WRD to purchase significant amounts of replenishment water and related lower District expenses have offset reductions in normal pumping volume by WRD pumpers and related revenues. Should the drought persist in California, the marketability of all debt obligations of water agencies within the State may be generally, negatively affected, including that of the Bonds. The WRD cannot predict how long drought conditions will last, what effect such conditions may have on the WRD or the Bonds in the future, or whether or to what extent future water reduction requirements may affect the WRD or its ability to pay Purchase Payments and otherwise comply with the terms of the Installment Purchase Agreement.

**Seismic Risks and Other Events of Force Majeure**

The WRD is located in a seismically active area, and damage from an earthquake can range from total destruction of the Project or other District facilities, to destabilization or liquefaction of the soils, to little or no damage at all. The extent of damage and the long-term effects from an earthquake, particularly ongoing earthquake activity, may be difficult to determine immediately.

Construction and operation of the Project and operation of other District facilities are also at risk from other events of force majeure, such as damaging storms, winds and floods, fires and explosions, strikes and lockouts, sabotage, wars, riots and spills or hazardous substances, among other events. Although the WRD maintains certain insurance policies, such required policies do not cover damage and delay from all events that could interrupt construction or operation of the Project or other District facilities and may not be maintained in amounts that would be sufficient or be paid in sufficient time in all events to pay all of the WRD’s expenses, including Purchase Payments. In addition, the WRD does not currently maintain earthquake insurance with respect to the Project and other District facilities. See “- Insurance” below. No assurances can be given that the WRD will be able to complete construction, repair any damage, revise any designs or commence or resume operation of the Project or other District facilities following an event of force majeure.

**Statutory Changes and Initiatives**

The WRD derives its right and powers from the Water Code. The California electorate could adopt initiatives or the State Legislature could adopt legislation which would amend the Water Code or the California Constitution. No assurance can be given that the Water Code or the California Constitution will not be amended in a manner that would adversely affect the WRD’s rights and powers or impose additional legal responsibilities on the WRD that could adversely affect its operations and Revenues. Furthermore, there is no assurance that such change in law would not at some future time adversely affect the security of the Bonds.
Disincorporation

Should the customers of the WRD (i.e., the pumpers) become dissatisfied with the WRD and its policies, the pumpers could initiate a petition to have the WRD disincorporated. The Water Code provides that upon disincorporation, the money in the treasury of the WRD would be transferred to the County and the County treasurer must place the money in a special fund to be drawn upon as provided in the Water Code. No assurances can be given that there will be sufficient money in such special fund to pay the Purchase Payments, which are pledged to pay Debt Service on the Bonds, or to pay amounts due with respect to other Senior Obligations or Subordinate Obligations.

Insurance

As described under “THE WRD - Insurance,” the WRD maintains liability and property insurance. See “THE WRD - Insurance” for a description of the WRD’s liability and property insurance. This insurance does not cover damage caused by earthquakes nor does the WRD maintain self-insurance for such purpose. Though the WRD believes that its coverages are similar to those customarily maintained by similar utilities systems, no assurances can be given that (i) such insurance will be adequate to cover any property damage or liability of the WRD in all circumstances or that (ii) such insurance will be carried in a coverage amount sufficient to prevent a material adverse impact on the WRD’s Net Revenues resulting from claims against the WRD or property damage sustained by the WRD.

Additional Obligations

The Installment Purchase Agreement permits the WRD to enter into certain indebtedness which will have a lien upon the Net Revenues on a parity basis if certain coverage tests are met (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Obligations” herein). These coverage tests involve, among other things, Net Revenues maintaining recent historical levels. If such indebtedness is issued, claims against Net Revenues would be increased, and if Net Revenues do not meet expected, historical levels, the represented debt service coverage for the Bonds would be diluted. Moreover, there is no assurance that the historical conditions which form the basis of such expectations, if any, will continue to be realized subsequent to the date upon which the applicable coverage test is applied. If such expectations are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Purchase Payments and such additional indebtedness.

Limitations on Default Remedies; Bankruptcy

The enforcement of any remedies provided in the Indenture and the Installment Purchase Agreement might be substantial and the process lengthy. Although the Installment Purchase Agreement provides that, if there is a default by the WRD under the Installment Purchase Agreement, the Authority may declare the entire unpaid principal amount and accrued interest to be due and payable or bring suit, at law or in equity, given the essential nature of the governmental function of the Project, no assurance is given that a court would enforce contractual remedies contained in the Installment Purchase Agreement with respect to the Project.

In addition, under the United States Bankruptcy Code, a bankruptcy case may be filed by the Authority or by the WRD. In general, the filing of any such petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party, and in the bankruptcy process, executory contracts such as the Installment Purchase Agreement or the Indenture may be subject to the assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party. The legal opinions to be delivered
concurrently with the Bonds (including Bond Counsel’s approving opinion) will be qualified as to the enforceability of the Bond documents, including the Installment Purchase Agreement and the Indenture, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise or judicial discretion.

**Loss of Tax Exemption and Tax Audit Risk**

As discussed in this Official Statement under the caption “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the WRD in violation of its covenants in the Indenture or the Installment Purchase Agreement. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, the United States Congress or the IRS might not change the Tax Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

**Absence of Market for the Bonds**

There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms that may make the secondary market, and the financial condition of the Authority or the WRD.

**TAX MATTERS**

**Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the Tax and Nonarbitrage Certificate of the Authority and the District (the “Tax Certificate”), the Authority and the District have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority and the District described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. However, it is noted that solely for taxable years beginning before January 1, 2018, interest on the
Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations under the Code.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present State law. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any jurisdiction other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e. the price at which a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued
indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix D. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

CERTAIN LEGAL MATTERS AND FEES

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Nixon Peabody LLP, Los Angeles, California, as Bond Counsel to the Authority. A copy of the form of the proposed opinion of Bond Counsel to the Authority is contained in Appendix D hereto. Certain matters will be passed upon for the WRD and the Authority by Leal Trejo, P.C., as counsel to the Authority and the WRD, and by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel. The Underwriters are being represented by their counsel, Kutak Rock LLP, Irvine, California.

In connection with the issuance of the Bonds, fees payable to Nixon Peabody LLP, as Bond Counsel and Disclosure Counsel, Leal Trejo, P.C., as counsel to the Authority and the WRD, Kutak Rock LLP, as Underwriters’ Counsel, and U.S. Bank National Association, as Trustee, are contingent upon the issuance of the Bonds. From time to time, Bond Counsel may represent either of the Underwriters on matters not related to the Bonds.
CONTINUING DISCLOSURE

Current Undertaking. The WRD has covenanted for the benefit of the owners of the Bonds to annually provide certain financial information and operating data relating to the Bonds to the Municipal Securities Rulemaking Board by not later than nine (9) months (presently March 31st, the “Annual Report Filing Deadline”) after the end of the Authority’s and the WRD’s fiscal year (presently ending June 30) (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events so long as the Bonds are outstanding. If the Annual Report Filing Deadline falls on a non-business day, then the Annual Report will be submitted on the next regularly scheduled business day. The Annual Report and notices of events will be filed by the WRD with the Municipal Securities Rulemaking Board (the “MSRB”), as repository, and in accordance with the requirements of the Rule.

The above covenants with respect to continuing disclosure have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2 12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in “APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Previous Undertakings. The WRD has previously entered into undertakings pursuant to the Rule with respect to 2015 Bonds and certain other prior obligations, all of which were refunded by the 2015 Bonds. Within the past five years, the WRD has failed to comply with such undertakings as follows:

- For Fiscal Years 2014-15 through 2016-17, certain operating data required by the continuing disclosure undertaking for the 2015 Bonds were not included in the annual report.

- For Fiscal Year 2014-15, the District’s audited financial statements were not filed until November 29, 2017.

- The District failed to timely file a notice of defeasance related to the 2008 certificates of participation that was refunded by the 2015 Bonds.

All remedial filings have been made as of the date of the Official Statement.

Future Undertakings. The WRD believes that it has implemented sufficient policies and procedures in order to ensure the timely and correct filing of future Annual Reports and notices of enumerated events required under its existing continuing disclosure obligations, including the obligation pertaining to the Bonds. The WRD has retained the services of Urban Futures Incorporated to assist the WRD with the preparation of the annual reports and to monitor the filing of such annual reports by the dissemination agent.

LITIGATION

There is no controversy or litigation of any nature now pending against the Authority or the WRD (with service of process having been completed), or to the knowledge of their respective officers, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or contesting the validity of the Bonds, any proceedings of the Authority, or the WRD taken concerning the issuance or sale thereof, the pledge or application of the moneys or security provided for the payment of the Bonds, or the existence or powers of the Authority or the WRD relating to the issuance of the Bonds.
There are currently various litigation matters pending against the WRD. The WRD does not believe that these actions will materially adversely affect the collection of Pledged Revenues or the payment of debt service on the Bonds.

**Proposition 218 Litigation.** Three of the WRD’s major water pumpers, the Cities of Downey, Signal Hill and Cerritos, ceased paying their respective Replenishment Assessments for water pumped beginning in March 2011 in connection with a lawsuit alleging, among other things, failure of the WRD to follow Proposition 218 rate setting procedures. On August 24, 2015, the three litigant cities dismissed their litigation against the WRD. The parties entered into a settlement agreement (the “Settlement Agreement”) and resolved all aspects of the subject litigation. Pursuant to the Settlement Agreement, none of the Cities of Downey, Signal Hill and Cerritos may bring suit with respect to or otherwise challenge their respective Replenishment Assessments for fiscal years 2015-16, 2016-17 or 2017-18, and none of the three cities may bring suit with respect to or otherwise challenge the WRD’s Groundwater Reliability Improvement Program (GRIP) through 2022. All three litigant cities are currently paying their respective Replenishment Assessments. There is no assurance, however, that other water pumpers will not file similar lawsuits against WRD or that the same Cities of Downey, Signal Hill and Cerritos will not bring similar lawsuits against WRD upon the expiration of the Settlement Agreement. If such lawsuits were to be brought against WRD, no assurance can be made that they won’t have a material adverse impact on WRD’s ability to assess Replenishment Assessments.

Tesoro Refining & Marketing Co., a separate water pumper, has also brought a claim against the WRD alleging failure to follow appropriate Replenishment Assessment setting procedures pursuant to Proposition 218. Tesoro continues to pay its respective Replenishment Assessment. The Tesoro case is ongoing, however the WRD does not believe such litigation will materially affect the WRD's revenue and operations presently or following resolution of the case.

For the past four years, the WRD has followed the notice, hearing and protest procedures required by Proposition 218 in connection with its collection of Replenishment Assessments and it currently plans to follow such notice, hearing and protest procedure in connection with future Replenishment Assessment increases in compliance with the Settlement Agreement. Upon the expiration of the Settlement Agreement, WRD may determine to discontinue the Proposition 218 majority protest proceedings with respect to setting its Replenishment Assessments.

**AUDITED FINANCIAL STATEMENTS**

The comprehensive annual financial report of the WRD as of and for the fiscal year ended June 30, 2017, included as Appendix A to this Official Statement, have been audited by Vasquez & Company LLP (the “Auditor”), the WRD’s independent auditor, as stated in their report appearing herein. In connection with the inclusion of such financial statements and the report of the Auditor thereon, the WRD did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

**RATINGS**

Fitch, Inc. (“Fitch”) and S&P Global Ratings (“S&P”) have assigned ratings of “AA+” and “AA+,” respectively, to the Bonds.

Such ratings reflect only the views of the rating agencies and any desired explanation of the significance of such ratings should be obtained from Fitch and S&P at the following addresses, respectively:
Fitch Ratings, One State Street Plaza, New York, New York 10004 and S&P Global Ratings, 55 Water Street, 45th Floor, New York, NY 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. The Authority undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

PRICING CONSULTANT

The Authority has retained Urban Futures Incorporated as Pricing Consultant for the sale of the Bonds. The Pricing Consultant is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness of fairness of the information contained in this Official Statement. Urban Futures Incorporated is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal or other public securities.

The Pricing Consultant has provided the following sentence for inclusion in this Official Statement: “The Pricing Consultant has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Pricing Consultant does not guarantee the accuracy or completeness of such information.”

UNDERWRITING

The Authority has agreed to sell the Bonds to Wells Fargo Bank, National Association (the “Representative”) pursuant to a purchase agreement by and among the Authority, the District and the Representative, on behalf of itself, FTN Financial Capital Markets and Cabrera Capital Markets, LLC (together, the “Underwriters”). The Underwriters have agreed to purchase all of the Bonds at a purchase price of $__________ (the principal amount of the Bonds, plus/less original issue premium/discount of $__________, less an Underwriters’ discount of $__________). The purchase contract for the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligations to make such purchases being subject to (i) certain terms and conditions set forth in said agreement, (ii) the approval of certain legal matters by Bond Counsel, and (iii) certain other conditions. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), the senior underwriter of the Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the
Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, Pricing Consultant, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the WRD for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the WRD.

MISCELLANEOUS

Quotations from and summaries and explanations of the Bonds, the Indenture, the Installment Purchase Agreement, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Prospective purchasers of the Bonds are advised to refer to such documents, provisions, and reports for full and complete statements of their contents. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.
Some of the data contained herein has been taken or constructed from District records. Appropriate officials of each of the Authority and the WRD, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. The execution of this Official Statement and its use in connection with the offering of the Bonds for sale has been authorized by the Authority and the WRD.

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY

By: ________________________________
    Chair

Approved:

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

By: ________________________________
    General Manager
APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2017 AND 2016

A-1
APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Installment Purchase Agreement, and is supplemental to the summary of other provisions of such documents described elsewhere in this Official Statement. This summary does not purport to be comprehensive or definitive, and reference should be made to such documents for full and complete statements of their respective provisions. All capitalized terms used but not otherwise defined in this Appendix shall have the meanings assigned to such terms in the Indenture or the Installment Purchase Agreement.
APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX D
FORM OF OPINION OF BOND COUNSEL

Water Replenishment District of Southern California Financing Authority
4040 Paramount Boulevard
Lakewood, California  90712

Ladies and Gentlemen:

We have acted as bond counsel to the Water Replenishment District of Southern California Financing Authority, a joint exercise of powers entity established under the Constitution and laws of the State of California (the “Authority”), in connection with the issuance by the Authority of $__________ aggregate principal amount of Water Replenishment District of Southern California Financing Authority Replenishment Assessment Revenue Bonds, Series 2018 (the “Bonds”).

The Bonds are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and an Indenture of Trust, dated as of December 1, 2018 (the “Indenture”), by and among the Authority, the Water Replenishment District of Southern California (the “District”) and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are payable from Pledged Revenues, as defined in the Indenture, consisting primarily of Purchase Payments to be made by the District pursuant to an Installment Purchase Agreement, dated as of December 1, 2018 (the “Installment Purchase Agreement”), by and between the Authority and the District.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Authority and the District in connection with the issuance of the Bonds. We have also examined such certificates of officers of the Authority and the District and others as we have considered necessary for the purposes of this opinion. The Internal Revenue Code of 1986, as amended (the “Code”) sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture, the Installment Purchase Agreement and the Tax Certificate, the Authority and the District have covenanted to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code. In addition, the Authority and the District have made certain representations and certifications in the Indenture, the Installment Purchase Agreement and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.
Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding limited obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture. The Bonds are payable from Pledged Revenues (as such term is defined in the Indenture), which Pledged Revenues include Purchase Payments under the Installment Purchase Agreement.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and the District and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority and the District, enforceable against the Authority and the District in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Pledged Revenues and other amounts held by the Trustee in the funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Installment Purchase Agreement has been duly and validly authorized, executed and delivered by the Authority and the District, and constitutes the legally valid and binding obligation of the Authority and the District, enforceable against the Authority and the District in accordance with its terms. The Installment Purchase Agreement creates a valid pledge to secure the payment of Purchase Payments by the District of Net Revenues, on the terms and conditions set forth therein.

4. Under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such amounts are not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

Except as stated in paragraph 4 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

The opinions expressed in paragraphs 1 through 3 above are qualified to the extent the enforceability of the Bonds, the Indenture and the Installment Purchase Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally or as to the availability of any particular remedy. The enforceability of the Bonds, the Indenture and the Installment Purchase Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.
Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may hereafter come to our attention or to reflect any change in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of results and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,
APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information concerning DTC set forth herein has been supplied by DTC, and neither the Authority nor the District assume any responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P Global Ratings rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information set forth on these websites is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no
knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Trustee, on a payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District or the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.
INSTALLMENT PURCHASE AGREEMENT

by and between the

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY, as Seller

and the

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA, as Purchaser

Dated as of October 1, 2018

Relating to the

$___________
Water Replenishment District of Southern California Financing Authority
Replenishment Assessment Revenue Bonds, Series 2018
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>ARTICLE I DEFINITIONS AND EXHIBITS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1.1 Definitions</td>
<td>1</td>
</tr>
<tr>
<td>Section 1.2 Content of Statements and Opinions</td>
<td>12</td>
</tr>
<tr>
<td>Section 1.3 Exhibits</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE II REPRESENTATIONS AND WARRANTIES</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 2.1 Representations and Warranties of the District</td>
<td>13</td>
</tr>
<tr>
<td>Section 2.2 Representations and Warranties of the Authority</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE III PURCHASE AND SALE OF THE IMPROVEMENTS; FUNDS AND ACCOUNTS; FLOW OF REVENUES; SECURITY</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 3.1 Purchase and Sale of the Improvements</td>
<td>15</td>
</tr>
<tr>
<td>Section 3.2 Purchase Payment Fund</td>
<td>16</td>
</tr>
<tr>
<td>Section 3.3 Funds and Accounts</td>
<td>16</td>
</tr>
<tr>
<td>Section 3.4 Flow of Revenues</td>
<td>16</td>
</tr>
<tr>
<td>Section 3.5 Senior Obligation Payment Fund</td>
<td>17</td>
</tr>
<tr>
<td>Section 3.6 Subordinate Obligation Payment Fund</td>
<td>18</td>
</tr>
<tr>
<td>Section 3.7 Rate Stabilization Fund</td>
<td>18</td>
</tr>
<tr>
<td>Section 3.8 Security for the Purchase Payments; Pledge of Net Revenues</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE IV EFFECTIVE DATE OF THIS AGREEMENT; DURATION; PAYMENT PROVISIONS; LIABILITY</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 4.1 Effective Date of this Installment Purchase Agreement; Duration</td>
<td>18</td>
</tr>
<tr>
<td>Section 4.2 Purchase Price; Purchase Payments</td>
<td>18</td>
</tr>
<tr>
<td>Section 4.3 Source for District Payments</td>
<td>19</td>
</tr>
<tr>
<td>Section 4.4 Obligations of the District Unconditional; Net Contract; Obligations of Authority Unconditional</td>
<td>19</td>
</tr>
<tr>
<td>Section 4.5 Prepayment of Purchase Payments</td>
<td>20</td>
</tr>
<tr>
<td>Section 4.6 Termination of Installment Purchase Agreement</td>
<td>21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE V PARTICULAR COVENANTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5.1 Limitation on Encumbrances; Against Sale</td>
<td>21</td>
</tr>
<tr>
<td>Section 5.2 Accounting Records</td>
<td>21</td>
</tr>
<tr>
<td>Section 5.3 Amount of Replenishment Assessments and Charges and Fees</td>
<td>21</td>
</tr>
<tr>
<td>Section 5.4 Tax Covenants</td>
<td>22</td>
</tr>
<tr>
<td>Section 5.5 Additional Senior Obligations</td>
<td>26</td>
</tr>
<tr>
<td>Section 5.6 Subordinate Obligations</td>
<td>27</td>
</tr>
<tr>
<td>Section 5.7 Continuing Disclosure</td>
<td>27</td>
</tr>
<tr>
<td>Section 5.8 Payment of Taxes and Compliance with Governmental Regulations</td>
<td>27</td>
</tr>
<tr>
<td>Section 5.9 Levy and Collection of Replenishment Assessments</td>
<td>27</td>
</tr>
<tr>
<td>Section 5.10 Eminent Domain Proceeds</td>
<td>28</td>
</tr>
<tr>
<td>Section 5.11 Administrative Costs</td>
<td>28</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE VI MAINTENANCE AND INSURANCE</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 6.1 Maintenance and Operation of the District’s Facilities</td>
<td>28</td>
</tr>
<tr>
<td>Section 6.2 Insurance</td>
<td>28</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE VII NON-LIABILITY OF AUTHORITY; EXPENSES, INDEMNIFICATION</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 7.1 Non-Liability of Authority</td>
<td>29</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS
(continued)

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 7.2</td>
<td>Expenses</td>
<td>29</td>
</tr>
<tr>
<td>Section 7.3</td>
<td>Indemnification</td>
<td>29</td>
</tr>
<tr>
<td>Section 7.4</td>
<td>Survive Termination</td>
<td>31</td>
</tr>
<tr>
<td>ARTICLE VIII</td>
<td>DEFAULTS AND REMEDIES</td>
<td>31</td>
</tr>
<tr>
<td>Section 8.1</td>
<td>Events of Default</td>
<td>31</td>
</tr>
<tr>
<td>Section 8.2</td>
<td>Remedies on Default</td>
<td>32</td>
</tr>
<tr>
<td>Section 8.3</td>
<td>Remedies Not Exclusive; No Waiver of Rights</td>
<td>32</td>
</tr>
<tr>
<td>Section 8.4</td>
<td>Expenses on Default</td>
<td>33</td>
</tr>
<tr>
<td>Section 8.5</td>
<td>Notice of Default</td>
<td>33</td>
</tr>
<tr>
<td>ARTICLE IX</td>
<td>MISCELLANEOUS</td>
<td>34</td>
</tr>
<tr>
<td>Section 9.1</td>
<td>Further Assurances</td>
<td>34</td>
</tr>
<tr>
<td>Section 9.2</td>
<td>Notices</td>
<td>34</td>
</tr>
<tr>
<td>Section 9.3</td>
<td>Governing Law</td>
<td>34</td>
</tr>
<tr>
<td>Section 9.4</td>
<td>Binding Effect</td>
<td>34</td>
</tr>
<tr>
<td>Section 9.5</td>
<td>Severability of Invalid Provisions</td>
<td>34</td>
</tr>
<tr>
<td>Section 9.6</td>
<td>Article and Section Headings and References</td>
<td>34</td>
</tr>
<tr>
<td>Section 9.7</td>
<td>Amendments</td>
<td>35</td>
</tr>
<tr>
<td>Section 9.8</td>
<td>Disclaimer of Warranties</td>
<td>35</td>
</tr>
<tr>
<td>Section 9.9</td>
<td>Claims; Warranties, Etc</td>
<td>35</td>
</tr>
<tr>
<td>Section 9.10</td>
<td>Waiver of Personal Liability</td>
<td>35</td>
</tr>
<tr>
<td>Section 9.11</td>
<td>Execution of Counterparts</td>
<td>35</td>
</tr>
<tr>
<td>Section 9.12</td>
<td>Assignment</td>
<td>35</td>
</tr>
<tr>
<td>Section 9.13</td>
<td>Indenture</td>
<td>36</td>
</tr>
</tbody>
</table>

EXHIBIT A – DESCRIPTION OF IMPROVEMENTS A-1
EXHIBIT B – SCHEDULE OF PURCHASE PAYMENTS B-1
INSTALMENT PURCHASE AGREEMENT

THIS INSTALMENT PURCHASE AGREEMENT, dated as of October 1, 2018 (the "Instalment Purchase Agreement"), between the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (hereinafter referred to as the “Authority”), as seller, and the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA (hereinafter referred to as the “District”), as purchaser.

W I T N E S S E T H:

WHEREAS, the Authority is authorized to assist the District in the financing and refinancing of costs related to capital improvements; and

WHEREAS, the District has the power to purchase real and personal property; and

WHEREAS, the Authority has approved the issuance of its Replenishment Assessment Revenue Bonds, Series 2018 (the “2018 Bonds”) to assist the District in providing funds (i) to finance the acquisition, construction, and installation of certain capital improvement projects of the District (the "Improvements"), and (ii) to pay related costs of issuance; and

WHEREAS, the Authority will transfer in trust and assign to the Trustee all of the right, title and interest of the Authority in and to the Purchase Payments and all rights to enforce the payment of the Purchase Payments under this Instalment Purchase Agreement; and

WHEREAS, the District and the Authority have duly authorized the execution and delivery of this Instalment Purchase Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto mutually agree as follows:

ARTICLE I
DEFINITIONS AND EXHIBITS

SECTION 1.1 Definitions. The following terms shall, for all purposes of this Instalment Purchase Agreement, have the respective meanings ascribed to them. Words in the singular shall include the plural and words in the plural shall include the singular where the context so requires. All capitalized terms used herein which are defined in the Indenture and not defined herein shall have the meanings specified in the Indenture.

“Accountant” shall mean any independent certified public accountant or firm of such accountants selected by the District.

“Act” shall mean the Water Replenishment Act, Section 60000 et seq. of the California Water Code.

“Ad Valorem Taxes” shall mean, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIIIA of the California Constitution and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the District.
“Administrative Costs” shall mean the ordinary and necessary administrative costs and incidental expenses related to the Obligations and the Obligation Securities, including, but not limited to, Obligation Trustee fees and expenses (including fees and expenses of counsel thereto), Credit Facility Costs, remarketing fees, and fees incurred in connection with the calculation of arbitrage rebate due to the federal government with respect to the Obligations.

“Assumed Debt Service” shall mean, for any period (a) for any Obligation other than Bonds, that portion of the Obligation Payments for such Obligation required to be made in such period, and (b) for Bonds, the sum of (i) the interest payable during such period 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, (ii) that portion of the principal amount of all Outstanding serial Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all Outstanding term Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon). For purposes of calculating Assumed Debt Service, the following assumptions shall be used:

(A) in determining the principal amount due in each period, payment shall be assumed to be made in accordance with any amortization schedule established for such Obligations, including any scheduled payment at maturity or mandatory redemption or prepayment of Obligations on the basis of accreted value and, for such purpose, the scheduled payment at maturity or redemption payment or prepayment shall be deemed a principal payment;

(B) in determining the interest due in each period, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the required payment dates;

(C) if any outstanding Obligations constitute Variable Rate Indebtedness, the interest rate on such Obligations shall be assumed to be the greater of (x) the average interest rate on such Obligations during the 12 calendar months ending with the month preceding the date of calculation, or (y) the rate of interest on such Obligations on the date of calculation;

(D) if Obligations proposed to be incurred will be Variable Rate Indebtedness, then (x) if interest on such Obligations is excluded from gross income for purposes of Federal income taxation, such Obligations shall be assumed to bear interest at the rate quoted in the most recently available short-term index of the Securities Industry and Financial Markets Association, or if that index is no longer published, another similar index selected by the District or, if the District fails to select a replacement index, an interest rate equal to 75% of the one month London Interbank Offered Rate quoted in the most recent edition of The Wall Street Journal or, if such quote is not available, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Obligations is not excluded from gross income for purposes of Federal income taxation, such Obligations shall be assumed to bear interest at an interest rate equal to 110% of the one month London Interbank Offered Rate quoted in the most recent edition of The Wall Street Journal, or if such quote is not available, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) if any outstanding Obligations constitute Balloon Indebtedness (and such Obligations do not constitute Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H), below) or if Obligations proposed to be incurred would constitute Balloon Indebtedness (and such Obligations would not constitute Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H), below), then (x) if interest on such Obligations is excluded from gross income for purposes of Federal income taxation, such amounts as constitute Balloon Indebtedness shall be treated as if the principal amount of such Obligations were amortized from the date originally incurred in substantially equal installments of principal
and interest over a term of 30 years; the interest rate used for such computation shall be the rate quoted in the most recently available short-term index of the Securities Industry and Financial Markets Association, or if that index is no longer published, another similar index selected by the District, or if the District fails to select a replacement index, an interest rate equal to 75% of the one month London Interbank Offered Rate quoted in the most recent edition of *The Wall Street Journal* or, if such quote is not available, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Obligations is not excluded from gross income for purposes of Federal income taxation, such amounts as constitute Balloon Indebtedness shall be assumed to bear interest at an interest rate equal to 110% of the one month London Interbank Offered Rate quoted in the most recent edition of *The Wall Street Journal*, or if such quote is not available, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(F) if any outstanding Obligations constitute Credit Enhanced Obligations or if Obligations proposed to be incurred would constitute Credit Enhanced Obligations, then Assumed Debt Service on such Obligations shall not be based upon the terms of any Reimbursement Obligations with respect to such Credit Enhanced Obligations except to the extent and for periods during which payments have been or will be required to be made pursuant to such Reimbursement Obligations due to the Credit Enhancer’s having advanced funds for which it has not been fully reimbursed;

(G) if any outstanding Obligations constitute Option Securities, or if any Obligation Securities payable from or evidencing interests in any outstanding Obligations (or the Obligation Payments payable under and pursuant to such Obligations) constitute Option Securities, or if Obligations proposed to be incurred would constitute Option Securities, or if Obligation Securities payable from or evidencing interests in Obligations proposed to be incurred (or the Obligation Payments payable under and pursuant to such Obligations) would constitute Option Securities, then (x) Assumed Debt Service on such Obligations shall not include amounts payable upon exercise by the Owner of such Option Securities of the option to tender such Option Securities for payment to the extent and for so long as a Liquidity Backer is required to provide the moneys necessary for such payment, and (y) Assumed Debt Service on such Obligations shall not be based upon the terms of any Reimbursement Obligations with respect to such Option Securities except to the extent and for periods during which payments have been or will be required to be made pursuant to such Reimbursement Obligations due to the Liquidity Backer’s having advanced funds for which it has not been fully reimbursed;

(H) if any outstanding Obligations constitute Short-Term Obligations or if Obligations proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then Debt Service on such Short-Term Obligations shall be disregarded and not included in calculating Assumed Debt Service;

(I) if any outstanding Obligation constitutes a Financial Contract, then amounts payable by the District under such Financial Contract shall be added to Assumed Debt Service and amounts receivable by the District under such Financial Contract shall be subtracted from Assumed Debt Service; if the interest rate applicable to payments payable or receivable by the District under such Financial Contract is a variable rate, such variable rate shall be calculated in accordance with clause (C), above;

(J) if any Obligation proposed to be incurred will be a Financial Contract, then amounts payable by the District under such Financial Contract shall be added to Assumed Debt Service and amounts receivable by the District under such Financial Contract shall be subtracted from Assumed Debt Service; if the interest rate applicable to payments payable or receivable by the District under
such Financial Contract will be a variable rate, such variable rate shall be calculated in accordance with clause (D), above;

(K) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee for Obligation Securities, then the interest payable from such amounts with respect to (x) the Obligations constituting such Obligation Securities, (y) the Obligations (or Obligation Payments) from which debt service on such Obligation Securities is payable, and (z) the Obligations (or Obligation Payments) interests in which are evidenced by such Obligation Securities, shall be disregarded and not included in calculating Assumed Debt Service;

(L) if moneys or Defeasance Securities have been deposited by the District into a separate fund or account or are otherwise held by the District or by a fiduciary to be used to pay Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Assumed Debt Service;

(M) if investment earnings on amounts on deposit in an Obligation Reserve Fund are, pursuant to the terms of the instrument under which such Obligation Reserve Fund was established, required to be transferred therefrom and used to pay, or used as a credit against the payment of, Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, then the projected investment earnings on such amounts, based on a reasonably determined rate of return, expected to be so used during such period shall be deducted from the Obligation Payments for such Obligations during such period;

(N) the amount on deposit in an Obligation Reserve Fund on any date of calculation of Assumed Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such Obligation Reserve Fund was established and in each preceding year until such amount is exhausted; and

(O) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they arise to be paid in amounts sufficient to pay principal and interest on Related Bonds, for purposes of calculating Assumed Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment), with respect to such Related Bonds shall be deemed to be interest payments and principal payments with respect to such Obligation Payments.

(P) if interest on any Obligation is reasonably anticipated to be reimbursed to or on behalf of the District by the United States of America, then interest payments with respect to such Obligations shall be excluded to the extent such interest is reasonably anticipated to be paid or reimbursed by the United States of America.

“Authority” shall mean the Water Replenishment District of Southern California Financing Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of August 6, 2015 (the “Joint Powers Agreement”), by and between the District and the California Municipal Finance Authority.

“Authorized Authority Representative” shall mean any member of the Board of Directors of the Authority (the “Board”), the Executive Director of the Authority, or any other person designated as an Authorized Authority Representative by a certificate signed by a member of the Board and filed with the Trustee.

“Authorized District Representative” shall mean the President of the Board of Directors of the District, the Secretary of the Board of Directors of the District, the General Manager of the District
and the Chief Financial Officer of the District and any person or persons designated as an Authorized District Representative by a Written Request signed by the President of the Board of Directors of the District, the Secretary of the Board of Directors of the District, the General Manager of the District or the Chief Financial Officer of the District and delivered to the Trustee.

“Balloon Indebtedness” shall mean, an Obligation, 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Obligation was incurred to be amortized by payment or redemption prior to such date.

“Bond Law” shall mean Article 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Delivery Date or as thereafter amended from time to time.

“Bonds” shall mean Senior Bonds and Subordinate Bonds.

“Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement between the District and the Trustee dated the date of issuance of the 2018 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Credit Enhanced Obligations” shall mean Obligations, the payments with respect to which, or the payments with respect to Related Bonds of which, are secured by a Credit Facility.

“Credit Enhancer” shall mean the Person issuing the Credit Facility securing payments with respect to Credit Enhanced Obligations or Related Bonds of such Credit Enhanced Obligations.

“Credit Facility” shall mean an irrevocable letter of credit, surety bond, insurance policy or other credit facility (a) securing payments with respect to Credit Enhanced Obligations, or Related Bonds of such Credit Enhanced Obligations, or (b) providing for amounts payable upon the optional or mandatory tender of an Option Security by the Owner thereof.

“Credit Facility Agreement” shall mean the agreement or arrangement pursuant to which a Credit Enhancer or Liquidity Backer is required to be reimbursed for draws on or payments under the Credit Facility issued by such Credit Enhancer or Liquidity Backer.

“Debt Service” shall mean, for any period, (a) for any Obligation other than Bonds, that portion of the Obligation Payments for such Obligation required to be made in such period, and (b) for Bonds, the sum of (i) the interest payable during such period 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, (ii) that portion of the principal amount of all Outstanding serial Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all Outstanding term Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon); provided, however, that, (A) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee for Obligation Securities, then the interest payable from such amounts with respect to (x) the Obligations constituting such Obligation Securities, (y) the Obligations (or Obligation Payments) from which debt service on such Obligation Securities is payable, and (z) the Obligations (or Obligation Payments) interests in which are evidenced by such Obligation Securities, shall be disregarded and not included in calculating Debt Service, (B) if moneys or Defeasance Securities have been deposited by the District into a separate fund or account or are otherwise held by the District or by a fiduciary to be used to pay Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under
which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Debt Service, (C) if investment earnings on amounts on deposit in an Obligation Reserve Fund are, pursuant to the terms of the instrument under which such Obligation Reserve Fund was established, required to be transferred therefrom and used to pay, or used as a credit against the payment of, Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, then the amount so transferred and used during such period shall be deducted from the Obligation Payments for such Obligations during such period, (D) the amount on deposit in an Obligation Reserve Fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such Obligation Reserve Fund was established and in each preceding year until such amount is exhausted, (E) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they arise to be paid in amounts sufficient to pay principal and interest on Related Bonds, for purposes of calculating Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment) with respect to such Related Bonds shall be deemed to be interest payments and principal payments with respect to such Obligation Payments, and (F) interest on any Obligation or Related bond is reasonably anticipated to be reimbursed to or on behalf of the District by the United States of America, then interest payments with respect to such Obligations or Related Bond shall be excluded to the extent such interest is reasonably anticipated to be paid or reimbursed by the United States of America.

“Delivery Date” shall mean the date on which the 2018 Bonds are delivered pursuant to the Indenture to the original purchasers thereof.

“Environmental Regulations” shall mean any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

“Financial Contract” shall mean any interest rate swap agreement, currency swap agreement, forward payment conversion agreement, future or contract entered into by the District with respect to any Obligation providing for payment based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or a contract entered into by the District with respect to any Obligation to exchange cash flows or a series of payments, or a contract entered into by the District with respect to any Obligation, including, without limitation, interest rate floors or caps, options, rates or calls, to hedge payment, currency, rate, spread, or similar exposure or any similar contract entered into by the District with respect to any Obligation.

“Fiscal Year” shall mean the twelve-month fiscal period of the District which commences on July 1 in every year and ends on June 30 of the succeeding year, or any other twelve-month, or fifty-two week, period hereafter selected and designated as the official fiscal year period of the District.

“Fitch” shall mean Fitch Ratings, Ltd., its successors and assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the District, with the approval of the Authority, by notice to the Trustee.

“Generally Accepted Accounting Principles” shall mean the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor and the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.
“Hazardous Substances” shall mean (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the District’s facilities or to persons on or about the District’s facilities or (ii) cause the District’s facilities to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Environmental Quality Act (“CEQA”), Cal. Public Resources Code § 21000 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety §§ 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the District’s facilities or the owners and/or occupants of property adjacent to or surrounding the District’s facilities, or any other person coming upon the District’s facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

“Improvements” shall mean the capital improvements purchased under this Installment Purchase Agreement as described in Exhibit A hereto, as it may be amended from time to time by the District in accordance herewith.

“In Lieu Payments” means, for any period, the payments made by the District during such period to entities that pump groundwater from the groundwater basins managed by the District in consideration of such entities refraining from pumping groundwater that they would otherwise be entitled to pump.

“Indenture” shall mean the Indenture of Trust dated as of ______________ 1, 2018, by and among the Authority, the District, and the Trustee, authorizing the issuance of the 2018 Bonds, as originally executed or as it may from time to time be supplemented, modified or amended.

“Interest Components” shall mean the Purchase Payments other than the Principal Components.

“Issuing Instrument” shall mean, with respect to Obligation Securities (a) if such Obligation Securities are Bonds, the indenture, trust agreement, fiscal agent agreement or other instrument pursuant to which such Bonds are issued, (b) if such Obligation Securities are Related Bonds, the indenture, trust agreement, fiscal agent agreement or other instrument pursuant to which such Related Bonds are issued, (c) if such Obligation Securities are a Contract, such Contract, and (d) if such Obligation Securities are Certificates, the trust agreement or other instrument pursuant to which such Certificates are executed and delivered.

“Liquidity Backer” shall mean the Person issuing the Credit Facility providing for amounts payable upon the optional or mandatory tender of an Option Security by the Owner thereof.
“Maximum Annual Debt Service” shall mean as of any date, with respect to Obligations, the maximum amount of Assumed Debt Service on such Obligations in the then current or any future Fiscal Year.

“Moody’s” shall mean Moody’s Investors Service, Inc., its successors and assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the District, with the approval of the Authority, by notice to the Trustee.

“Net Proceeds” shall mean, when used with respect to any insurance, self-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.

“Net Revenues” shall mean for any period, the Revenues for such period, less the Operation and Maintenance Costs for such period.

“Obligation Payments” shall mean Senior Obligation Payments and Subordinate Obligation Payments.

“Obligation Reserve Fund” shall mean, with respect to Obligation Securities, any debt service reserve fund or account held by the Obligation Trustee for such Obligation Securities and established to secure the payment of such Obligation Securities or the payment of the Obligation Payments payable under and pursuant to the Obligations, interests in which are evidenced by such Obligation Securities.

“Obligation Securities” shall mean Senior Obligation Securities and Subordinate Obligation Securities.

“Obligation Trustees” shall mean Senior Obligation Trustees and Subordinate Obligation Trustees.

“Obligations” shall mean Senior Obligations and Subordinate Obligations.

“Operation and Maintenance Costs” shall mean, for any period, the costs paid by the District during such period for the operation of the District and the operation and maintenance of the District’s facilities and other property, calculated in accordance with Generally Accepted Accounting Principles, including, among other things, costs of operating the District’s facilities and other property, costs of maintaining and preserving the District’s facilities and other property in good repair and working order, costs of management and administration of the District and the District’s facilities and other property, such as salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues), overhead, taxes (if any), insurance premiums, fees of auditors, accountants, attorneys or engineers, costs of Water Purchase Payments, and all Administrative Costs paid by the District during such period, but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to the District’s facilities or other property which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, and (d) costs for the payment of debt service on Obligations of the District.

“Option Securities” means Obligation Securities which by their terms, or by the terms of the Issuing Instrument pursuant to which they were issued, incurred or executed and delivered, may be or
are required to be tendered by the Owner thereof for payment or purchase by the District or a third party prior to the stated maturity thereof.

“Outstanding” shall mean, with respect to Obligation Securities, such Obligation Securities as are, or as are deemed to be, outstanding, as determined pursuant to the provisions of the Issuing Instrument pursuant to which such Obligation Securities are issued, incurred or executed and delivered.

“Person” shall mean an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepayment Price” shall mean the price payable by the District to prepay Purchase Payments, equal to the amount of the Outstanding Principal Components to be prepaid, plus a premium with respect thereto in the amount of the premium payable upon the Authority’s optional redemption of the corresponding Bonds, plus the amount of related Interest Components to the Prepayment Date.

“Principal Components” shall mean that portion of the Purchase Payments designated as principal components in Exhibit B hereto.

“Purchase Payments” shall mean the payments so designated and required to be made by the District pursuant to Section 4.2 hereof.

“Purchase Payment Dates” shall mean the dates on which the Purchase Payments are required to be made as provided in this Installment Purchase Agreement, such dates being each February 1 and August 1, commencing February 1, 2019.

“Purchase Price” shall mean the amount to be paid by the District to the Authority for the Improvements as specified in Section 4.2 hereof.

“Reimbursement Obligation” shall mean the obligation of the District, arising pursuant to a Credit Facility Agreement or otherwise, to repay amounts drawn on or paid under a Credit Facility, to pay interest on such amounts and to pay any other amounts in connection with such draw or payment; provided, however, that no portion of any such obligation shall be deemed to be a Reimbursement Obligation if the payment thereof would duplicate any amount payable to the Credit Enhancer or Liquidity Backer that issued such Credit Facility in such Credit Enhancer or Liquidity Backer’s capacity as Owner of an Obligation Security.

“Related Bonds” shall mean, with respect to particular Obligations, bonds, notes or other obligations of a Person other than the District, the debt service on which is payable from Obligation Payments for such Obligations.

“Replenishment Assessment” shall mean a replenishment assessment levied by the District pursuant to the Act upon the production of groundwater from groundwater supplies within the District.

“Revenues” shall mean, for any period, all income and revenue received by the District during such period, determined in accordance with Generally Accepted Accounting Principles, including Replenishment Assessments, other charges and fees imposed by the District pursuant to the Act, Ad Valorem Taxes, charges and fees received by the District from the sale, furnishing or supplying of water or other commodities sold, furnished or supplied through the facilities of the District or in the conduct of the operations of the District, investment income (but only to the extent that such investment income is
generally available to pay costs of the operation of the District and the operation and maintenance of the District’s facilities and other property, including Operation and Maintenance Costs), subsidies received by the District from another governmental entity pursuant to a program established by such governmental entity to promote the use of alternative sources of water or the supply or availability of clean water, Net Proceeds of business interruption insurance, and all other money howsoever derived by the District from the operation of the District or ownership of the District’s facilities and other property or arising from the District’s facilities and other property, but excluding (a) payments received under Financial Contracts, and (b) restricted grants; provided, however, that Revenues shall be increased by the amounts, if any, transferred during such period from the Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amounts, if any, transferred during such period from the Revenue Fund to the Rate Stabilization Fund. Revenues shall include interest on Obligations reimbursed to or on behalf of the District by the United States of America.

“Senior Bonds” shall mean all revenue bonds or notes (including bond anticipation notes and commercial paper) of the District authorized, executed, issued and delivered under and pursuant to applicable law, the payments of which are, in accordance with the provisions hereof, payable from Net Revenues on a parity with the Senior Contract Payments.

“Senior Certificates” shall mean certificates of participation, receipts or other instruments evidencing interests in a Senior Contract, or in the Senior Contract Payments payable under and pursuant to such Senior Contract.

“Senior Contracts” shall mean this Installment Purchase Agreement and all contracts (including Financial Contracts) or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments under which are, in accordance with the provisions hereof, payable from Net Revenues on a parity with Senior Bonds.

“Senior Contract Payments” shall mean the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to its Senior Contracts.

“Senior Obligation Resolution” shall mean any resolution authorizing the issuance of Senior Obligations.

“Senior Obligation Payments” shall mean (a) the debt service payments payable by the District under and pursuant to Senior Obligations, and (b) Senior Contract Payments.

“Senior Obligation Securities” shall mean, with respect to particular Senior Obligations (a) if such Senior Obligations are Senior Obligations that do not have Related Bonds, such Senior Obligations, (b) if such Senior Obligations are Senior Obligations that do have Related Bonds, such Related Bonds, (c) if such Senior Obligations are a Senior Contract (i) that does not have Related Bonds, and (ii) interests in which, or interests in the Senior Contract Payments payable under and pursuant to which, are not evidenced by Senior Certificates, such Senior Contract, (d) if such Senior Obligations are a Senior Contract that does have Related Bonds, such Related Bonds, and (e) if such Senior Obligations are a Senior Contract, interests in which, or interests in the Senior Contract Payments payable under and pursuant to which, are evidenced by Senior Certificates, such Senior Certificates.

“Senior Obligation Trustee” shall mean, with respect to Senior Obligation Securities, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Owners of such Senior Obligation Securities.
“Senior Obligations” shall mean Senior Bonds and Senior Contracts.

“Series” shall mean Obligations issued at the same time or sharing some other common term or characteristic and designated as a separate Series.

“Short-Term Obligations” shall mean Obligations having an original maturity of less than or equal to one year and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

“S&P” shall mean S&P Global Ratings, its successors and assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the District, with the approval of the Authority, by notice to the Trustee.

“Statement,” “Request,” “Requisition” or “Order” of the Authority or the District shall mean, respectively, a written statement, request, requisition or order signed in the name of the Authority or the District by an Authorized Authority Representative or Authorized District Representative, as the case may be. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.2 hereof, each such instrument shall include the statements provided for in Section 1.2 hereof.

“Subordinate Bonds” shall mean all revenue bonds or notes (including bond anticipation notes and commercial paper) of the District authorized, executed, issued and delivered under and pursuant to applicable law, the payments of which are, in accordance with the provisions hereof, payable from Net Revenues remaining after payment therefrom of the District’s Senior Obligation Payments, on a parity with the District’s Subordinate Contract Payments.

“Subordinate Certificates” shall mean certificates of participation, receipts or other instruments evidencing interests in a Subordinate Contract, or in the Subordinate Contract Payments payable under and pursuant to such Subordinate Contract.

“Subordinate Contract Payments” shall mean the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to its Subordinate Contracts.

“Subordinate Contracts” shall mean all contracts (including Financial Contracts) or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments under which are, in accordance with the provisions hereof, payable from the Net Revenues remaining after payment therefrom of the District’s Senior Obligation Payments, on a parity with the District’s Subordinate Bonds.

“Subordinate Obligation Payments” shall mean (a) the debt service payments payable by the District under and pursuant to Subordinate Bonds, and (b) Subordinate Contract Payments.

“Subordinate Obligation Securities” shall mean, with respect to particular Subordinate Obligations (a) if such Subordinate Obligations are Subordinate Bonds that do not have Related Bonds, such Subordinate Bonds, (b) if such Subordinate Obligations are Subordinate Bonds that do have Related Bonds, such Related Bonds, (c) if such Subordinate Obligations are a Subordinate Contract (i) that does not have Related Bonds, and (ii) interests in which, or interests in the Subordinate Contract Payments payable under and pursuant to which, are not evidenced by Subordinate Certificates, such Subordinate Contract, (d)
if such Subordinate Obligations are a Subordinate Contract that does have Related Bonds, such Related Bonds, and (e) if such Subordinate Obligations are a Subordinate Contract, interests in which, or interests in the Subordinate Contract Payments payable under and pursuant to which, are evidenced by Subordinate Certificates, such Subordinate Certificates.

“Subordinate Obligation Trustee” shall mean, with respect to Subordinate Obligation Securities, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Owners of such Subordinate Obligation Securities.

“Subordinate Obligations” shall mean Subordinate Bonds and Subordinate Contracts.

“Tax Certificate” shall mean the Tax and Nonarbitrage Certificate, executed and delivered by the District on the Delivery Date, as amended or supplemented from time to time.

“Trustee” shall mean U.S. Bank National Association, a national banking association organized and existing under the laws of the United States, having a principal corporate trust office in Los Angeles, California, or its successor, as trustee under the Indenture, and any Co-Trustee appointed under the Indenture.

“Variable Rate Indebtedness” shall mean any portion of indebtedness or other payment obligations, the interest rate on which is not established at the time of incurrence and has not at some subsequent date been established at a single numerical rate for the entire term thereof.

“Water Purchase Payments” means, for any period, payments made by the District for the purchase and delivery of water, availability payments for water made by the District and In Lieu Payments.

“Written Request” shall mean a written instrument signed by an Authorized District Representative or an Authorized Authority Representative, as the case may be.

“2018 Bonds” shall mean the $___________ aggregate principal amount of Water Replenishment District of Southern California Financing Authority Replenishment Assessment Revenue Bonds, Series 2018.

SECTION 1.2 Content of Statements and Opinions. Every statement or opinion provided for in this Installment Purchase Agreement with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such statement or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion is based, (3) a statement (a) that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter or (b) that he or she has made or caused to be made his or her examination or investigation with respect to the subject matter in accordance with specified professional standards; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such statement or opinion made or given by an officer of the Authority or the District may be based, insofar as it relates to legal, accounting or District matters, upon a statement or opinion of or representation by counsel or an Accountant, unless such officer knows, or in the exercise of reasonable care should have known, that the statement, opinion or representation with respect to the matters upon which such statement or statements may be based, as aforesaid, is erroneous. Any such statement or opinion made or given by counsel or an Accountant may be based, insofar as it relates to factual matters (with
respect to which information is in the possession of the Authority or the District, as the case may be) upon a statement or opinion of or representation by an officer of the Authority or the District, unless such counsel or Accountant knows, or in the exercise of reasonable care should have known, that the statement or opinion or representation with respect to the matters upon which such person’s statement or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the District, or the same counsel or Accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Purchase Agreement, but different officers, counsel or Accountants may certify to different matters, respectively.

SECTION 1.3 Exhibits. The following Exhibits are attached to and by this reference made a part of this Installment Purchase Agreement:

Exhibit A: Description of Improvements.

Exhibit B: Schedule of Purchase Payments.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1 Representations and Warranties of the District. The District makes the following representations and warranties to the Authority as of the date of the execution and delivery of this Installment Purchase Agreement and as of the Delivery Date (such representations and warranties to remain operative and in full force and effect regardless of delivery of the 2018 Bonds or any investigations by or on behalf of the Authority or the results thereof):

(i) The District is a water replenishment district organized and existing under the laws of the State, and has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery of this Installment Purchase Agreement.

(ii) The officers of the District executing this Installment Purchase Agreement are duly and properly in office and fully authorized to execute the same.

(iii) This Installment Purchase Agreement has been duly authorized, executed and delivered by the District, and constitutes a legal, valid and binding agreement of the District enforceable against the District in accordance with its terms.

(iv) The execution and delivery of this Installment Purchase Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not in any material respect conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under, the any indenture, mortgage, deed of trust, agreement, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any trust agreement, mortgage, deed of trust, loan agreement, lease, contract or other agreement to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely
affect the consummation of the transactions contemplated by this Installment Purchase Agreement, or the financial condition, assets, properties or operations of the District.

(v) No consent or approval of any trustee or holder of any indebtedness of the District or any other Person, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Installment Purchase Agreement, or the consummation of any transaction herein contemplated, or the fulfillment of or compliance with the terms and conditions hereof, except as have been obtained or made and as are in full force and effect and except such other permits as the District contemplates obtaining in due course.

(vi) There are no easements, encumbrances or interests with respect to the Improvements which prohibit or materially impair the execution, delivery and performance of this Installment Purchase Agreement or the Indenture or the acquisition or use of the Improvements.

(vii) The District has found and determined that this Installment Purchase Agreement, the Indenture and the transactions contemplated hereby and thereby will provide significant public benefits to the citizens served by the District, in accordance with Section 6586 of the Bond Law.

(viii) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the District, after reasonable investigation, threatened, against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by or the validity of this Installment Purchase Agreement, or upon the financial condition, assets, properties or operations of the District.

(ix) No written information, exhibit or report furnished to the Authority by the District in connection with the negotiation of this Installment Purchase Agreement, and no official statement or other offering document in connection with the issuance of the 2018 Bonds, if any, as of its date or as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(x) All financial statements and information heretofore delivered to the Authority by the District, including without limitation, information relating to the financial condition of the District, fairly and accurately present the financial position thereof and have been prepared (except where specifically noted therein) in accordance with generally accepted accounting principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the District.

(xi) The District has good and marketable title to the Improvements free and clear from all material encumbrances.

(xii) The District is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (1) under this Installment Purchase Agreement or (2) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely
affect the consummation of the transactions contemplated by this Installment Purchase Agreement or the Indenture, or the financial condition, assets, properties or operations of the District.

(xiii) The District acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing and refinancing of the Improvements; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the District is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Installment Purchase Agreement and the Indenture or otherwise relied on the Authority for any advice.

SECTION 2.2 Representations and Warranties of the Authority. (a) The Authority makes the following representations and warranties to the District.

(i) The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State and is duly authorized to issue the 2018 Bonds and to perform its obligations under this Installment Purchase Agreement.

(ii) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Installment Purchase Agreement. The Authority has taken all necessary action and has complied with all provisions of the law required to make this Installment Purchase Agreement a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(iii) The 2018 Bonds have been duly authorized, executed and delivered by the Authority. Nothing in this Agreement shall be construed as requiring the Authority to provide any financing other than the proceeds of the 2018 Bonds or to provide sufficient moneys for all of the cost of accomplishing the purposes of the 2018 Bonds.

(iv) To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the 2018 Bonds, or the execution and delivery of the Indenture or this Installment Purchase Agreement, (ii) affects or questions the validity or enforceability of the 2018 Bonds, the Indenture or this Installment Purchase Agreement, or (iii) questions the tax-exempt status of interest on the 2018 Bonds.

ARTICLE III

PURCHASE AND SALE OF THE IMPROVEMENTS; FUNDS AND ACCOUNTS; FLOW OF REVENUES; SECURITY

SECTION 3.1 Purchase and Sale of the Improvements. As consideration for the Purchaser’s agreement to make Purchase Payments in accordance with Section 4.2 hereof, the Authority hereby agrees to sell, and the District hereby agrees to purchase, the Improvements. All right, title and interest in the Improvements shall vest in the District immediately upon execution of this Installment
Purchase Agreement. Such vesting shall occur without further action by the Authority or the District; and the Authority shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

SECTION 3.2 Purchase Payment Fund. The Authority shall create, or cause to be created, under the Indenture the Purchase Payment Fund, into which it shall deposit or cause to be deposited on the Delivery Date the amount specified in Section 4.02 of the Indenture with respect to the Purchase Payment Fund. The Authority shall cause the Trustee to make deposits to and payments from the Purchase Payment Fund in accordance with the terms of this Installment Purchase Agreement and the Indenture.

SECTION 3.3 Funds and Accounts. The District hereby agrees to establish and maintain within its treasury, so long as any Obligations remain outstanding, a separate fund designated the “Revenue Fund,” a separate fund designated the “Senior Obligation Payment Fund,” a separate fund designated the “Subordinate Obligation Payment Fund” and a separate fund designated the “Rate Stabilization Fund.” The District may establish one or more funds, sub-funds or accounts within any of such funds if and when it deems the establishment of any such fund, sub-fund or account to be necessary or appropriate for the management of its financial affairs.

Notwithstanding the foregoing (a) the District need only establish a Subordinate Obligation Payment Fund if and when it incurs Subordinate Obligations, and (b) the District need only establish a Rate Stabilization Fund if and when it deems the establishment of such fund to be necessary or appropriate for the management of its financial affairs.

SECTION 3.4 Flow of Revenues. The District, in order to carry out and effectuate the pledge contained in Section 4.4 hereof, agrees and covenants that all Revenues received by it shall be deposited when and as received in the Revenue Fund. Additionally, amounts may, from time to time as the District deems necessary or appropriate, be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund. The District shall pay from the Revenue Fund all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not immediately required) as and when the same shall be due and payable.

After having paid, or having made provision for the payment of, Operation and Maintenance Costs, the District shall, subject to any restrictions contained in the Act on the use of District funds from any specified source for specified powers or functions of the District, set aside and deposit or transfer, as the case may be, from the Revenue Fund the amounts set forth below at the following times and in the following order of priority:

(i) Senior Obligation Payment Fund. On or before each date on which amounts are due and payable on any Senior Obligations and on each date on which any Reimbursement Obligations with respect to Senior Obligations are due and payable, the District shall transfer legally available Net Revenues to the Senior Obligation Payment Fund in an amount which, together with other amounts on deposit therein, is at least sufficient to make the required payments with respect to such Senior Obligations or such Reimbursement Obligations. In the event that the District has insufficient Net Revenues to make all of the transfers contemplated by this paragraph (i), then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations and Reimbursement Obligations, payments with respect to which are required to be made; and

(ii) Senior Obligation Reserve Funds. The District shall transfer to each Obligation Trustee for its Senior Obligation Securities, for deposit in the applicable Obligation
Reserve Fund, legally available Net Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund as and to the extent required by (i) such Senior Obligation Securities, (iii) the Issuing Instrument pursuant to which such Senior Obligation Securities are issued, incurred or executed and delivered, and (iii) the Senior Contract, interests in the Senior Contract Payments payable under and pursuant to which are evidenced by such Senior Obligation Securities. In the event that there are insufficient Net Revenues to make all of the transfers contemplated by this paragraph (ii), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective Outstanding Principal Amounts of the Senior Obligation Securities, deposits to the Obligation Reserve Funds for which are required to be made; and

(iii) **Subordinate Obligation Payment Fund.** On or before each date on which amounts are due and payable on any Subordinate Obligations and on each date on which any Reimbursement Obligations with respect to Subordinate Obligations are due and payable, the District shall transfer legally available Net Revenues to the Subordinate Obligation Payment Fund in an amount which, together with other amounts on deposit therein, is at least sufficient to make the required payments with respect to such Subordinate Obligations or such Reimbursement Obligations. In the event that the District has insufficient Net Revenues to make all of the transfers contemplated by this paragraph (iii), then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligations and Reimbursement Obligations, payments with respect to which are required to be made; and

(iv) **Subordinate Obligation Reserve Funds.** The District shall transfer to each Obligation Trustee for its Subordinate Obligation Securities, for deposit in the applicable Obligation Reserve Fund, legally available Net Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund as and to the extent required by (i) such Subordinate Obligation Securities, (iii) the Issuing Instrument pursuant to which such Subordinate Obligation Securities are issued, incurred or executed and delivered, and (iii) the Subordinate Contract, interests in the Subordinate Contract Payments payable under and pursuant to which are evidenced by such Subordinate Obligation Securities. In the event that there are insufficient Net Revenues to make all of the transfers contemplated by this paragraph (iv), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective Outstanding Principal Amounts of the Subordinate Obligation Securities, deposits to the Obligation Reserve Funds for which are required to be made; and

(v) **Rate Stabilization Fund.** The District may, from time to time as the District deems necessary or appropriate, transfer Net Revenues in the Revenue Fund to the Rate Stabilization Fund.

Amounts required or permitted to be deposited or transferred pursuant to paragraph (ii), (iii), (iv), or (v), above, shall not be so deposited or transferred unless the District shall have determined that there will be sufficient Net Revenues available to make the required deposits or transfers pursuant to all subsections prior to said subsection on the dates on which such deposits or transfers are required to be made. So long as the District has determined that Net Revenues will be sufficient to make all of the deposits or transfers required to be made pursuant to paragraphs (i), (ii), (iii), (iv), and (v), above, on the dates on which such deposits or transfers are required to be made, Net Revenues on deposit in the Revenue Fund may from time to time be used for any purpose for which District funds may be legally applied.

**SECTION 3.5 Senior Obligation Payment Fund.** The District shall transfer from the Senior Obligation Payment Fund to the appropriate Person the Senior Obligation Payments and the payments of Reimbursement Obligations with respect to Senior Obligations as and when due and payable.
In the event there are insufficient amounts on deposit in the Senior Obligation Payment Fund to make all of such Senior Obligation Payments and such Reimbursement Obligation payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligation Payments and Reimbursement Obligations due and payable.

SECTION 3.6 Subordinate Obligation Payment Fund. The District shall transfer from Subordinate Obligation Payment Fund to the appropriate Person the Subordinate Obligation Payments and the payments of Reimbursement Obligations with respect to Subordinate Obligations as and when due and payable. In the event there are insufficient amounts on deposit in the Subordinate Obligation Payment Fund to make all of such Subordinate Obligation Payments and such Reimbursement Obligation payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligation Payments and Reimbursement Obligations due and payable.

SECTION 3.7 Rate Stabilization Fund. Amounts on deposit in the Rate Stabilization Fund may, from time to time as the District deems necessary or appropriate, be transferred to the Revenue Fund and applied as provided in Section 3.4 hereof.

SECTION 3.8 Security for the Purchase Payments; Pledge of Net Revenues. The District is obligated to make Purchase Payments solely from the Net Revenues in the Senior Obligation Payment Fund. Notwithstanding the foregoing, the Purchase Payments shall be made from the proceeds of the sale of the 2018 Bonds deposited in the Purchase Payment Account, if any, in the amounts and at the times set forth in the Indenture, and other moneys transferred to or deposited in the Purchase Payment Account pursuant to the Indenture. The Purchase Payments and all other payments with respect to Obligations shall be equally secured by the Net Revenues in the Senior Obligation Payment Fund without priority for number or date of incurrence of such Obligations. The Net Revenues in the Senior Obligation Payment Fund shall be held in trust by the District for the benefit of the holders of the 2018 Bonds and any other Obligations.

Subject only to the provisions of this Installment Purchase Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, all Net Revenues are hereby pledged to the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations, as provided herein, and the Net Revenues shall not be used for any other purpose while any of the Senior Obligations or Reimbursement Obligations with respect to Senior Obligations remain unpaid. Such pledge shall constitute a first lien on the Net Revenues for the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations.

ARTICLE IV

EFFECTIVE DATE OF THIS AGREEMENT; DURATION; PAYMENT PROVISIONS; LIABILITY

SECTION 4.1 Effective Date of this Installment Purchase Agreement; Duration. This Agreement shall become effective upon its execution and delivery, and shall expire on such date as shall be determined in accordance with Section 4.6 hereof.

SECTION 4.2 Purchase Price; Purchase Payments. (a) The District agrees to pay the Purchase Price for the Improvements by making installment payments, referred to herein as “Purchase Payments,” in the respective amounts and at the times shown in Exhibit B hereto, which the District agrees to pay to the Trustee, as assignee of the Authority, for deposit in the Purchase Payment Fund held by the
Trustee and which, in the aggregate, shall be in an amount sufficient for the payment in full of all obligations to the Owners of the 2018 Bonds from time to time Outstanding under the Indenture, including (i) the total Interest Components due and payable with respect to the Purchase Payments and (ii) the total Principal Components of such Purchase Payments; less the amount of other funds available for such payment as provided in the Indenture.

(b) Each Purchase Payment hereunder shall be paid by the District in immediately available funds on the due date in lawful money of the United States of America to the Trustee at its Corporate Trust Office, and held, invested, disbursed and applied as provided in the Indenture. In the event the District fails to make any of the payments required by paragraph (a) of this Section 4.2, the installment so in default shall continue as an obligation of the District until the amount in default shall have been fully paid with interest thereon at a rate of interest equal to the highest rate of interest applicable to any then unpaid Bond. In the event that seven days prior to a Purchase Payment Date there are insufficient moneys in the Revenue Fund to pay the amounts required by paragraph (a) of this Section 4.2 on the due date thereof, the District will notify the Trustee not later than five (5) days prior to the Purchase Payment Date thereof that the amount available in the Revenue Fund is less than the amount required on the following Purchase Payment Date.

For purposes of determining the amount to be deposited into the Purchase Payment Fund with respect to the 2018 Bonds in any month, (i) each Principal Component of Purchase Payments shall accrue ratably over the twelve months immediately preceding the Principal Payment Date on which such Principal Component is due; and (ii) each Interest Component of Purchase Payments shall accrue ratably over the six months immediately preceding the Interest Payment Date on which such Interest Component is due.

SECTION 4.3 Source for District Payments. (a) The District shall be obligated to make Purchase Payments hereunder solely from the Net Revenues in the Senior Obligation Payment Fund.

(b) Notwithstanding Section 4.3(a) hereof, Purchase Payments shall not be made from Net Revenues in the Senior Obligation Payment Fund to the extent of other moneys transferred to or deposited in the Purchase Payment Fund pursuant to Section 4.02 of the Indenture.

Subject to the foregoing provisions of this Section 4.3, nothing herein shall preclude the District from making Purchase Payments from other lawfully available moneys of the District.

SECTION 4.4 Obligations of the District Unconditional; Net Contract; Obligations of Authority Unconditional. (a) Subject to Section 4.3 hereof, the obligations of the District to make the Purchase Payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Purchase Payments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the District’s facilities, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Agreement or the Indenture.

This Installment Purchase Agreement shall be deemed and construed to be a “net contract,” and the District shall pay absolutely net the Purchase Payments and all other payments required hereunder,
regardless of any rights of set-off, recoupment, abatement or counterclaim that the District might otherwise have against the Authority or the Trustee or any other party or parties.

The Authority and the District understand, agree and intend that the obligation of the District to make Purchase Payments hereunder shall not in any way be construed to be a debt of the District, the Authority, or the State of California, or any political subdivision thereof, in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the District, the Authority, the State of California, or any political subdivision thereof, nor shall anything contained herein constitute a pledge of general revenues, funds or moneys of the District or the Authority or an obligation of the District or the Authority for which the District or the Authority is obligated to levy or pledge any form of taxation or for which the District or the Authority has levied or pledged any form of taxation.

(b) The District covenants to take such action as may be necessary to include and maintain the Purchase Payments due hereunder in its budget for the appropriate Fiscal Year or pursuant to separate resolution of the District and further shall make the necessary appropriations for all such Purchase Payments required herein. The covenants on the part of the District contained in this subsection (b) shall be deemed to be and shall be construed to be ministerial duties and it shall be the ministerial duty of each and every public official of the District to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the District to carry out and perform such covenants.

(c) The obligation of the Authority to perform and observe the agreements on its part contained herein shall be absolute and unconditional and, until such time as all of the Purchase Payments shall have been fully paid (or provision for the payment of Outstanding Bonds shall have been made in accordance with Section 10.03 of the Indenture), the Authority (i) will perform and observe all of its agreements contained in this Installment Purchase Agreement and (ii) will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the District’s facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the District to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Agreement.

Nothing contained in this Section 4.4(c) shall be construed to release the District from the performance of any of the agreements on its part herein contained, and in the event the District should fail to perform any such agreement, the Authority may institute such action against the District as the Authority may deem necessary to compel performance or recover its damages for nonperformance so long as such action shall not violate the agreements of the Authority contained in the first paragraph of this Section 4.5.

SECTION 4.5 Prepayment of Purchase Payments. Purchase Payments are subject to prepayment as provided in this Section 4.5. All prepayments of Purchase Payments shall be made in funds immediately available on the Prepayment Date.

(a) Optional Prepayment. Prior to August 1, 20___, the District shall not have the option to prepay remaining Principal Components of Purchase Payments. From and after August 1, 20___, the District shall have the option to prepay remaining Principal Components of Purchase Payments in whole or in part (in an amount equal to Authorized Denominations), in any order of maturity, to the extent the Authority has the ability to effect an optional redemption of the 2018 Bonds. Such prepayment shall be effected by depositing with the Trustee the Prepayment Price with respect thereto on or before the
Prepayment Date. The District shall give the Trustee written notice of its intention to exercise its option to prepay not more than 90 and not less than 45 days in advance of the date of such prepayment.

(b) Effect of Prepayment. In the event that the District prepays the Purchase Payments in whole, the amount paid shall be applied to the redemption in full of the principal and interest with respect to the 2018 Bonds in accordance with the Indenture. In the event that the District prepays the Purchase Payments in part, such prepayment shall be applied to the prepayment of the Purchase Payments as follows: (i) the District shall designate which Principal Components are being prepaid, and to what extent, and the Principal Component of each remaining Purchase Payment shall be reduced accordingly, in each case in the amount equal to Authorized Denominations in excess thereof corresponding to the principal amount of Bonds redeemed pursuant to Section 2.02 of the Indenture; and (ii) the Interest Component of each remaining Purchase Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the 2018 Bonds thereby redeemed pursuant to the Indenture. Upon any prepayment of Purchase Payments in part, the District shall provide the Authority with an amended Exhibit B hereto.

SECTION 4.6 Termination of Installment Purchase Agreement. Except as otherwise specifically provided herein, this Installment Purchase Agreement shall terminate upon the earlier of the following events:

(i) the payment or prepayment by the District of all remaining Purchase Payments as provided in Section 4.2 or 4.5 hereof and all other amounts to be paid by the District hereunder and the payment or defeasance of all Bonds; or

(ii) the payment, or deemed payment, of all Bonds in accordance with Section 10.03 of the Indenture and the payment of all amounts due and payable to the Trustee.

ARTICLE V

PARTICULAR COVENANTS

SECTION 5.1 Limitation on Encumbrances; Against Sale. The District will not sell, lease or otherwise dispose of the District’s facilities and other property or any part thereof essential to the proper operation or management of the District or to the maintenance of Revenues; provided, however, that any real or personal property which has become non-operative or which is not needed for the efficient and proper operation or management of the District, or any material or equipment which has become worn out, may be sold if such sale will not materially reduce Net Revenues and if the proceeds of such sale are deposited in the Revenue Fund. The District will not enter into any agreement or lease which impairs the operation of the District’s facilities and other property or any part thereof necessary to secure adequate Revenues for the payment of Obligations or which would otherwise impair the rights of the Corporation with respect to Revenues or the operation or management of the District.

SECTION 5.2 Accounting Records. The District covenants and agrees at all times to keep, or cause to be kept, proper books of record and account prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions or in relation to the business, properties and operations of the District. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

SECTION 5.3 Amount of Replenishment Assessments and Charges and Fees. The District will, to the extent permitted by law, fix, prescribe, levy, impose and collect (a) Replenishment Assessments, (b) other charges and fees imposed by the District pursuant to the Act, and (c) charges and
fees charged by the District for the sale, furnishing or supplying of water or other commodities sold, furnished or supplied through the facilities of the District or in the conduct of the operations of the District which will be at least sufficient to yield during each Fiscal Year Net Revenues that are equal to 120% of Debt Service on Senior Obligations for such Fiscal Year. The District may make adjustments from time to time in Replenishment Assessments and in such charges and fees, but shall not reduce the Replenishment Assessments and such charges and fees then in effect unless the Revenues and Net Revenues from such reduced Replenishment Assessments and charges and fees will at all times be sufficient to meet the requirements of this Section.

For purpose of calculating the interest on any Outstanding Senior Obligations, if interest on such Senior Obligations is reasonably anticipated to be reimbursed to or on behalf of the District by the United States of America, then Debt Service on such Senior Obligations shall exclude such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Revenues for purposes of the coverage calculations. To the extent Generally Accepted Accounting Principles prohibit the District’s ability to defer the portion of the Revenues to be recognized in the Fiscal Year in which Water Purchase Payments are made, for purposes of calculating the amount of Net Revenues, the amount of Water Purchase Payments during such Fiscal Year shall be reduced by the amount of Water Purchase Payments paid from prior year revenues or reserves (other than from amounts transferred during such Fiscal Year from the Rate Stabilization Fund).

SECTION 5.4 Tax Covenants. (a) Special Definitions. When used in this Section, the following terms have the following meanings:


“Computation Date” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Gross Proceeds” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the 2018 Bonds.

“Investment” means (i) any security (within the meaning of section 165(g)(2)(A) or (B) of the Code), (ii) any obligation (notwithstanding that such obligation may be a tax-exempt bond), (iii) any annuity contract, (iv) when allocated to a bond other than a private activity bond, any residential rental property for family units that is not located within the jurisdiction of the issuer and that is not acquired to implement a court ordered or approved housing desegregation plan, or (v) any investment-type property (as defined in section 1.148-1(e) of the Treasury Regulations).

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the 2018 Bonds are invested and that is not acquired to carry out the governmental purposes of the 2018 Bonds.

“Proceeds,” with respect to an issue of governmental obligations, has the meaning set forth in section 1.148-1(b) of the Treasury Regulations (referring to sales, investment and transferred proceeds, but not replacement proceeds, of that issue).

“Rebate Amount” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Treasury Regulations” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.
“Yield” of (i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and (ii) the 2018 Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The Authority and the District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the 2018 Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority or the District receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Authority or the District, as the case may be, shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority and the District shall at all times prior to the payment and cancellation of the last Bond to be paid and canceled:

(i) use their best efforts to ensure that the District exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the 2018 Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the 2018 Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the jurisdiction of the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes; and

(iii) where the 2018 Bonds are refunded, the District will apply the foregoing restrictions taking cognizance of the provisions of sections 1.141-3(g) and 1.141-4(c)(2)(ii) of the Treasury Regulations and of any subsequently adopted rules or regulations applicable to such a refunding.

(d) No Private Loan. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Treasury Regulations and rulings thereunder, the Authority and the District shall not use Gross Proceeds of any Bond to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (a) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (b) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (c) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.
(e) Not to Invest at Higher Yield. Except as would not cause any Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Treasury Regulations and rulings thereunder, the Authority and the District shall not at any time prior to the final maturity of the 2018 Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment or class of Investments acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such Bond within the meaning of said section 148 and related Treasury Regulations and rulings.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Treasury Regulations and rulings thereunder, the Authority and the District shall not take or omit to take any action that would cause any Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Treasury Regulations and rulings thereunder. Without limitation of the foregoing, the Authority and the District will not permit any portion of the debt service on the 2018 Bonds to be guaranteed (in whole or in part) by the United States, or more than 5% of the proceeds of the 2018 Bonds to be loaned to any person under which the obligation of that person to repay such loan is guaranteed (in whole or in part) by the United States, or more than 5% of the proceeds of the 2018 Bonds to be invested (directly or indirectly) in federally insured deposits or accounts. For this purpose, a guarantee or insurance by an agency or instrumentality of the United States will be treated as though made or provided by the United States.

(g) Information Report. The Authority shall timely file any information required by section 149(e) of the Code with respect to the 2018 Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Treasury Regulations and rulings thereunder in order to assure that no Bond is treated as an arbitrage bond:

(i) The Authority and the District shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Bond is discharged. However, to the extent permitted by law, the Authority or the District may commingle Gross Proceeds of the 2018 Bonds with its other money, provided that the Authority or the District, as the case may be, separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Authority and the District shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Treasury Regulations and rulings thereunder. The Trustee may rely conclusively upon the Authority’s and the District’s determinations, calculations and certifications with regard to the calculation of rebate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s and the District’s calculations hereunder. The Authority and the District shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2018 Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability of the interest on the 2018 Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority and the District, jointly and severally but without duplication, shall pay to the United States the amount that when added to the future value of previous rebate payments made for the 2018 Bonds equals
(A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Treasury Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Authority or the District at the times and in the amounts as are or may be required by section 148(f) of the Code and the Treasury Regulations and rulings thereunder, and shall be accompanied by Form 8038-T prepared by the Authority or the District or such other forms and information as is or may be required by section 148(f) of the Code and the Treasury Regulations and rulings thereunder for execution and filing by the Authority or the District.

(iv) The Authority and the District shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (i) and (ii) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Treasury Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Treasury Regulations and rulings thereunder, the Authority shall not, at any time prior to the final maturity of the 2018 Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm’s length and had the Yield on the 2018 Bonds not been relevant to either party.

(j) Bonds Not Hedge Bonds.

(i) The Authority and the District each represents that none of the Bonds are or will become “hedge bonds” within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above, (I) on the date of issuance of the Bonds, the District reasonably expects that at least 85% of the spendable proceeds of the Bonds will be expended within the three-year period commencing on such date of issuance, and (II) no more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) Use of Proceeds; Weighted Average Maturity. Each of the Authority and the District hereby represents and covenants that it will apply the proceeds of the 2018 Bonds in a manner so that the weighted average maturity of the 2018 Bonds does not exceed 120% of the average reasonably expected remaining economic life of the facilities financed or refinanced therewith (all determined in accordance with the provisions of section 147(b) of the Code).

(l) Elections. The Authority hereby directs and authorizes any Authorized Authority Representative and the District hereby directs and authorizes any Authorized District Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Authority Representative or Authorized District Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2018 Bonds, in the Tax Certificate relating to the 2018 Bonds or similar or other appropriate certificate, form or document.

SECTION 5.5 Additional Senior Obligations. The District may at any time incur Senior Obligations payable from Net Revenues as provided herein on a parity with all other Senior
Obligations theretofore incurred, but only subject to the following conditions, which are hereby made conditions precedent to the incurrence of such Senior Obligations:

(a) Upon the incurrence of such Senior Obligations, no Event of Default shall be continuing under this Installment Purchase Agreement.

(b) Subject to the provisions of paragraph (c), below, the District shall have delivered to each Obligation Trustee for Senior Obligations a Written Request of the District demonstrating that for a 12 consecutive calendar month period during the 18 consecutive calendar month period ending in the calendar month prior to the incurrence of such Senior Obligations (which 12 consecutive calendar month period shall be specified in such Written Request of the District) the Net Revenues, as shown by the books of the District, shall have amounted to at least 120% of Maximum Annual Debt Service on all Senior Obligations to be outstanding immediately after the incurrence of such Senior Obligations. For purposes of demonstrating compliance with the foregoing, Net Revenues may be adjusted for any changes in (i) Replenishment Assessments, (ii) other charges and fees imposed by the District pursuant to the Act, and (iii) charges and fees charged by the District from the sale, furnishing or supplying of water or other commodities sold, furnished or supplied through the facilities of the District or in the conduct of the operations of the District which have been adopted and are in effect on the date such Senior Obligations are incurred, but which, during all or any part of such 12 consecutive calendar month period, were not in effect. For purposes of preparing the Written Request of the District described above, the District may rely upon financial statements of the District that have not been subject to audit by an independent certified public accountant if audited financial statements for the period are not available.

The provisions of this paragraph (b) need not be complied with if the Senior Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H) of the definition thereof.

(c) Notwithstanding the foregoing, if (i) all or a portion of Senior Obligations are incurred for the purpose of providing funds to refund or refinance any Senior Obligations, (ii) upon such refunding or refinancing, debt service on such refunded or refinanced Senior Obligations, or debt service on the Related Bonds of such Senior Obligations, will no longer be included in the calculation of Assumed Debt Service either because such Senior Obligations, or the Related Bonds of such Senior Obligations, will have been paid in full or because such debt service is disregarded pursuant to clause (L) of the definition of Assumed Debt Service, and (iii) Assumed Debt Service in each Fiscal Year for the portion of such Senior Obligations incurred for the purpose of providing funds to refund or refinance such Senior Obligations is less than or equal to 100% of Assumed Debt Service in such Fiscal Year for such Senior Obligations being refunded or refinanced (assuming for such purposes that debt service on such refunded or refinanced Senior Obligations, or debt service on the Related Bonds of such Senior Obligations, is not disregarded pursuant to clause (L) of the definition of Assumed Debt Service), the provisions of paragraph (b) above, need not be complied with for such portion of such Senior Obligations incurred for the purpose of providing funds to refund or refinance such Senior Obligations.

The District may at any time incur Reimbursement Obligations with respect to Senior Obligations.

(d) For purposes of calculating the interest on any Outstanding Senior Obligations, if interest on such Senior Obligations is reasonably anticipated to be reimbursed to or on behalf of the District by the United States of America, then Debt Service on such Senior Obligations shall exclude such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Revenues for purposes of the coverage calculations.
To the extent Generally Accepted Accounting Principles prohibit the District’s ability to defer the portion of the Revenues to be recognized in the Fiscal Year in which Water Purchase Payments are made, for purposes of calculating the amount of Net Revenues as set forth in subsection (b) above, the amount of Water Purchase Payments during such period shall be reduced by the amount of Water Purchase Payments paid from prior year revenues or reserves (other than from amounts transferred during such Fiscal Year from the Rate Stabilization Fund).

SECTION 5.6 Subordinate Obligations. The District may at any time incur Subordinate Obligations; provided, however, that prior to incurring such Subordinate Obligations, the District shall have determined that the incurrence thereof will not materially adversely affect the District’s ability to comply with the requirements of Section 5.3 hereof. The District may at any time incur Reimbursement Obligations with respect to Subordinate Obligations.

SECTION 5.7 Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or Beneficial Owner or any Participating Underwriter (as defined in the Continuing Disclosure Agreement) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositaries or other intermediaries).

SECTION 5.8 Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the District, the District’s facilities and other property or any part thereof or upon the Revenues, when the same shall become due; provided, however, that the District shall not be required to pay such taxes, assessments or governmental charges if the validity thereof shall be contested in good faith (so long as such nonpayment will not materially adversely affect the District’s ability to perform its obligations hereunder).

The District will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the District or the District’s facilities and other property or any part thereof; provided, however, that the District shall not be required to comply with any such regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 5.9 Levy and Collection of Replenishment Assessments. The District will, in each Fiscal Year, to the extent permitted by law, levy a Replenishment Assessment pursuant to a determination under subdivision (d) of Section 60316 of the Act in an amount at least equal to 100% of Debt Service for such Fiscal Year on that portion of the outstanding Senior Obligations incurred (a) to finance the costs of capital improvement projects for replenishment purposes, or (b) to refund Senior Obligations previously incurred to finance the costs of capital improvement projects for replenishment purposes. The District will, in each Fiscal Year, to the extent permitted by law, levy a Replenishment Assessment pursuant to a determination under subdivision (e) of Section 60316 of the Act in an amount at least equal to 100% of Debt Service for such Fiscal Year on that portion of the outstanding Senior Obligations incurred (a) to finance the costs of capital improvement projects undertaken pursuant to Section 60224 of the Act, or (b) to refund Senior Obligations previously incurred to finance the costs of capital improvement projects undertaken pursuant to Section 60224 of the Act. The District will enforce the payment of the Replenishment Assessments in accordance with the Act.
SECTION 5.10 Eminent Domain Proceeds. If all or any part of the District’s facilities or other property shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied to the replacement of the facilities or other property so taken, unless the District determines that such facilities or other property are not necessary to the efficient or proper operation of the District’s facilities and other property and therefore determines not to replace such facilities or other property. Any Net Proceeds of such award not applied to replacement, or remaining after such work has been completed, shall be deposited in the Revenue Fund and be available for other proper uses of funds deposited in the Revenue Fund.

SECTION 5.11 Administrative Costs. The District shall pay all Administrative Costs. Administrative Costs shall be paid by the District directly to the Person or Persons to whom such amounts shall be payable. The District shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from an Obligation Trustee to the District stating the amount of Administrative Costs then due and payable and the purpose thereof.

ARTICLE VI

MAINTENANCE AND INSURANCE

SECTION 6.1 Maintenance and Operation of the District’s Facilities. The District covenants and agrees that it will operate and maintain the District’s facilities in accordance with all governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the District. The District further covenants and agrees that it will maintain and operate the District’s facilities and all pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of the District’s facilities in good repair, working order and condition, and that it will from time to time make or cause to be made all necessary and proper replacements, repairs, renewals and improvements thereto.

SECTION 6.2 Insurance. The District will procure and maintain or cause to be procured and maintained casualty insurance on the District’s facilities and other property with responsible insurers, or provide self-insurance (which may be provided in the form of risk-sharing pools), in such amounts and against such risks (including accident to or destruction of the District’s facilities and other property) as are usually covered in connection with facilities similar to the District’s facilities and other property. In the event of any damage to or destruction of the District’s facilities and other property caused by the perils covered by such insurance or self-insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the District’s facilities and other property. The District 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 District’s facilities and other property shall be free and clear of all claims and liens unless the District determines that such facilities or other property are not necessary to the efficient or proper operation of the District’s facilities and other property and therefore determines not to reconstruct, repair or replace such facilities or other property. If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in the Revenue Fund and be available for other proper uses of funds deposited in the Revenue Fund.
The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with facilities similar to the District’s facilities and other property; provided, however, 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 facilities similar to the District’s facilities and other property and is, in the opinion of an accredited actuary, actuarially sound.

ARTICLE VII

NON-LIABILITY OF AUTHORITY; EXPENSES, INDEMNIFICATION

SECTION 7.1 Non-Liability of Authority. Other than set forth herein or in the Indenture, the Authority shall not be obligated to pay Purchase Payments. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the 2018 Bonds.

The District hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, premium, if any, and interest on the 2018 Bonds as the same shall become due (whether by maturity, redemption or otherwise), then upon notice from the Trustee, the District shall, subject to Section 4.3 hereof and to the extent permitted by law, pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the District, the Authority or any third party.

The District, the Trustee and/or the Owners shall have no right to compel the Authority to pay Principal Components or Interest Components of Purchase Payments.

SECTION 7.2 Expenses. The District covenants and agrees to pay and to indemnify, defend and hold harmless the Authority and the Trustee against all costs and charges, including reasonable fees of attorneys, accountants, consultants and other experts, incurred in good faith or arising out of or in connection with this Installment Purchase Agreement, the 2018 Bonds or the Indenture.

SECTION 7.3 Indemnification.

(a) To the fullest extent permitted by law, the District agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of its respective past, present and future officers, members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the 2018 Bonds, the Indenture, the Installment Purchase Agreement or the Tax Certificate or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the 2018 Bonds;

(ii) any act or omission of the District or any of its agents, contractors, servants, employees, tenants) or licensees in connection with the District’s facilities, the operation of the District, or the condition, environmental or otherwise, occupancy, use, possession, conduct or
management of work done in or about, or from the planning, design, acquisition, installation or construction of, the District’s facilities or any part thereof;

(iii) any lien or charge upon payments by the District to the Authority and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the District’s facilities;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from, the District’s facilities or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the 2018 Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the 2018 Bonds or any of the documents relating to the 2018 Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the 2018 Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the 2018 Bonds, or allegations that interest on the 2018 Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the 2018 Bonds is taxable; or

(viii) the Trustee’s acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the 2018 Bonds to which it is a party;

(ix) except (a) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (b) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the District, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the District shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the District if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to this Installment Purchase Agreement shall survive the final
payment or defeasance of the 2018 Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section shall survive the termination of this Installment Purchase Agreement.

SECTION 7.4 Survive Termination. Notwithstanding Section 4.6 hereof the provisions of this Article shall survive payment in full of the Purchase Payments and the 2018 Bonds, the termination of the Indenture, the termination of this Installment Purchase Agreement and the resignation or removal of the Trustee.

ARTICLE VIII

DEFAULTS AND REMEDIES

SECTION 8.1 Events of Default. Each of the following events shall be an “Event of Default”:

(a) if default shall be made by the District in the due and punctual payment of or on account of any Senior Obligation as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the agreements or covenants required to be performed by it herein (other than as specified in (a) above), and such default shall have continued for a period of 60 days after the District shall have been given notice in writing of such default by the Authority or any Obligation Trustee;

(c) if an event of default shall have otherwise occurred and be continuing under any Senior Obligation, under any Senior Obligation Securities or under the Issuing Instrument pursuant to which any Senior Obligation Securities are issued, incurred or executed and delivered; or

(d) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

If an Event of Default shall have occurred and be continuing, the Authority, or any Senior Obligation Trustee may, by written notice to the District, declare the unpaid Senior Obligation Payments, and the accrued interest thereon, immediately due and payable, whereupon anything contained herein to the contrary notwithstanding, said amounts shall, without further action, become and be immediately due and payable with, to the extent permitted by law, interest on such accelerated amounts at a rate per annum equal to the default rate specified in the instrument pursuant to which the respective Senior Obligations were incurred; provided, however, that, notwithstanding the foregoing, no Senior Obligation Payments payable under and pursuant to Senior Obligations that are Credit Enhanced Obligations shall be accelerated without the written consent of related Credit Enhancer and, provided, further, that nothing herein shall affect the rights of the parties to a Financial Contract to terminate such Financial Contract. If at any time after the principal amount of such unpaid Senior Obligation Payments, and the accrued interest thereon, shall have so accelerated and before any judgment or decree of the payment of the moneys due shall have been obtained or entered, the District shall pay the unpaid amount of all such Senior Obligation Payments due prior to such declaration, with interest on such overdue Senior Obligation Payments at the rate or rates applicable thereto in accordance with their terms, and the reasonable expenses of the Authority and the Senior Obligation Trustees, if any, and any and all other defaults (other than in the payment of the unpaid
Senior Obligation Payments, and the accrued interest thereon, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority and the Senior Obligation Trustees or provision deemed by the Authority and the Senior Obligation Trustees to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon. All Net Revenues received after the date of acceleration of the Senior Obligation Payments, and the accrued interest thereon, shall be applied, first, to the payment of the costs and expenses of the Authority and the Senior Obligation Trustees, if any, in carrying out the provisions of this Article, including reasonable compensation of its and their accountants and counsel, second, to the payment of the entire amount of unpaid Senior Obligation Payments, and the accrued interest thereon at the rate or rates of interest applicable thereto, and to the payment of unpaid Reimbursement Obligations with respect to Senior Obligations, in accordance with their respective terms; provided, however, that if such Net Revenues are not sufficient to pay such amounts in full, then said Net Revenues shall be applied, as nearly as practicable, pro rata, based on the respective principal amounts of unpaid Senior Obligations and Reimbursement Obligations with respect to Senior Obligations and, third, to such other liabilities of the District as are then payable.

SECTION 8.2 Remedies on Default. If an Event of Default specified in Section 8.1 hereof shall occur, then, and in each and every case during the continuance of such Event of Default, each of the Authority and each Obligation Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any board member, officer or employee thereof, and to compel the District or any such board member, officer or employee to perform and carry out his or her duties under applicable law and the agreements and covenants required to be performed by him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority or such Obligation Trustee;

(c) by suit in equity require the District and its board members, officers and employees to account as the trustee of an express trust; and

(d) to have a receiver or receivers appointed for the District’s facilities and other property and of the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.3 Remedies Not Exclusive; No Waiver of Rights. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under this Installment Purchase Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it or contained in this Installment Purchase Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given to the Authority hereunder shall also extend to the Trustee, and the Trustee may exercise any rights under this Installment Purchase Agreement, and the Trustee and the owners of the 2018 Bonds issued under the Indenture shall be deemed third party beneficiaries of all covenants and conditions herein contained.

No delay in exercising or omitting to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an
acquiescence therein, and every such right and power may be exercised from time to time and as often as
may be deemed expedient.

Notwithstanding any other provision of this Installment Purchase Agreement, in no event
shall the remedy of acceleration be available to the Authority, the Trustee or any other person, and the
Trustee is not empowered to sell the District’s facilities or any portion thereon and use the proceeds of such
sale to make Purchase Payments.

SECTION 8.4 Expenses on Default. In the event the District should default under
any of the provisions of this Installment Purchase Agreement and the Trustee should employ attorneys or
incur other expenses for the collection of the payments due hereunder or the enforcement of performance
or observance of any obligation on the part of the defaulting party herein contained, the District agrees that
it will on demand therefor pay to the Trustee the reasonable fee of such attorneys and such other expenses
so incurred by the Trustee.

SECTION 8.5 Notice of Default. The District agrees that, as soon as is practicable,
and in any event within ten (10) days, the District will furnish the Trustee notice of any event which is an
Event of Default pursuant to Section 8.1 hereof which has occurred and is continuing on the date of such
notice, which notice shall set forth the nature of such event and the action which the District proposes to
take with respect thereto.
ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Further Assurances. The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Installment Purchase Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 9.2 Notices. All notices or communications herein required or permitted to be given shall be in writing and, if to the District, mailed or delivered to it as follows: General Manager, Water Replenishment District of Southern California, 4040 Paramount Boulevard, Lakewood, California 90712 and, if to the Authority, mailed or delivered to it as follows: Water Replenishment District of Southern California Financing Authority, 4040 Paramount Boulevard, Lakewood, California 90712, Attention: Executive Director; and if to the Trustee, mailed or delivered to it as provided in the Indenture. A duplicate copy of each notice or communication given hereunder by either the Authority or the District to the other shall also be given to the Trustee. The Authority, the District and the Trustee may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

SECTION 9.3 Governing Law. This Agreement shall be construed in accordance with and governed by the Constitution and laws of the State of California.

SECTION 9.4 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the District and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 9.5 Severability of Invalid Provisions. If any one or more of the provisions contained in this Installment Purchase Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Installment Purchase Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Installment Purchase Agreement, and this Installment Purchase Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the District each hereby declares that it would have entered into this Installment Purchase Agreement and each and every other section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Installment Purchase Agreement may be held illegal, invalid or unenforceable.

SECTION 9.6 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Installment Purchase Agreement. All references herein to “Articles,” “Sections” and other subsections are to the corresponding Articles, Sections or subsections of this Installment Purchase Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular Article, Section or subsection hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.
SECTION 9.7 Amendments. This Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the District and the Authority and the concurring written consent of the Trustee, given in accordance with the provisions of the Indenture; provided, however, that the District may amend the description of the Improvements in Exhibit A hereto in any manner consistent with the Tax Certificate and may amend the schedule of Purchase Payments set forth in Exhibit B hereto pursuant to Section 4.6(b) hereof, in each case without the agreement or consent of the Authority or the Trustee.

SECTION 9.8 Disclaimer of Warranties. The Authority makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the District’s facilities or any portion thereof, or any other representation or warranty with respect to the District’s facilities, or any portion thereof. In no event shall the Authority or assigns be liable for incidental, indirect, special or consequential damages in connection with this Installment Purchase Agreement or the existence, furnishing or functioning of the District’s facilities, or the District’s or the Authority’s or any other person’s use of the District’s facilities, except such damages as may arise by reason of the Authority’s breach of this Installment Purchase Agreement.

SECTION 9.9 Claims; Warranties, Etc. The Authority irrevocably appoints the District as its agent and attorney-in-fact, so long as the District shall not be in default hereunder, to assert from time to time whatever claims and rights, including warranties with respect to any portion of the District’s facilities, which the Authority may have against the manufacturer, supplier or contractor of such portion of the District’s facilities. As between the Authority and the District, the District’s sole remedy for the breach of any warranty, indemnification or representation shall be against the manufacturer, supplier or contractor of any portion of the District’s facilities, and not against the Authority, nor shall such matter have any effect whatsoever on the rights of the Authority with respect to this Installment Purchase Agreement, including the rights to receive full and timely payments hereunder. The District expressly acknowledges that neither the Authority nor the Trustee makes, or has made, any representation or warranty whatsoever as to the existence or availability of such warranties of the manufacturer, supplier or contractor with respect to any item of the District’s facilities.

SECTION 9.10 Waiver of Personal Liability. No director, officer, agent or employee of the Authority or member, director, officer, agent or employee of the District shall be individually or personally liable for the payment of Purchase Payments or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Installment Purchase Agreement; but nothing herein contained shall relieve any such director, member, officer, agent or employee from the performance of any official duty provided by law or by this Installment Purchase Agreement.

SECTION 9.11 Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be original and all of which shall together constitute but one and the same instrument.

SECTION 9.12 Assignment.

(a) Pursuant to Section 4.01 of the Indenture, the Authority has assigned its right, title and interest in and to this Installment Purchase Agreement to the Trustee, for the benefit of the owners from time to time of the 2018 Bonds. The District hereby consents to such assignment.

(b) The District shall not assign its interests in this Installment Purchase Agreement without the prior written consent of the Authority and the Trustee.
SECTION 9.13 Indenture. The District acknowledges having read the Indenture, approves the Indenture and agrees to perform all duties imposed on it by the Indenture. The District further agrees that Bond proceeds shall be applied as set forth in the Indenture. Insofar as any section of the Indenture imposes duties and responsibilities on the District it is specifically incorporated herein by reference.
IN WITNESS WHEREOF, the Authority and the District have caused this Installment Purchase Agreement to be executed in their respective names by their duly authorized representatives, all as of the date first above written.

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

By ________________________________

General Manager

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY

By ________________________________

Executive Director
EXHIBIT A

DESCRIPTION OF IMPROVEMENTS
EXHIBIT B

SCHEDULE OF PURCHASE PAYMENTS

<table>
<thead>
<tr>
<th>DATE</th>
<th>PRINCIPAL COMPONENT</th>
<th>INTEREST COMPONENT</th>
<th>TOTAL PURCHASE PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/1/2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2020</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2020</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2024</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2024</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2025</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2025</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2026</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2026</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2027</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2027</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2028</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2028</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2029</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2029</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2030</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2030</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2031</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2031</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2032</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2032</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2033</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2033</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2034</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2034</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2035</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2035</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2036</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2036</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2037</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2037</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2038</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2038</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2039</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2039</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2040</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DATE</td>
<td>PRINCIPAL COMPONENT</td>
<td>INTEREST COMPONENT</td>
<td>TOTAL PURCHASE PAYMENTS</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------</td>
<td>--------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>8/1/2040</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2041</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2041</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2042</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2042</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2043</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2043</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2044</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2044</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2045</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2045</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2046</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2046</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2047</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2047</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1/2048</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/1/2048</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>