



**AGENDA**  
**MEETING OF THE EL DORADO IRRIGATION DISTRICT**  
**FINANCING CORPORATION**

District Headquarters  
2890 Mosquito Road, Placerville, California  
June 27, 2016 ~ immediately following Regular Board Meeting

**Officers of the El Dorado Irrigation District**  
**Financing Corporation**

**Bill George**  
President  
Division III

**George Osborne**  
Vice President  
Division I

**Greg Prada**  
Director  
Division II

**Dale Coco, MD**  
Director  
Division IV

**Alan Day**  
Director  
Division V

**Jim Abercrombie**  
Secretary

**Thomas D. Cumpston**  
Counsel

**Mark Price**  
Chief Financial Officer

**PUBLIC COMMENT:** Anyone wishing to comment about items not on the Agenda may do so during the public comment period. Those wishing to comment about items on the Agenda may do so when that item is heard and when the Board calls for public comment. Public comments are limited to five minutes per person.

**PUBLIC RECORDS DISTRIBUTED LESS THAN 72 HOURS BEFORE A MEETING:** Any writing that is a public record and is distributed to all or a majority of the Board of Directors less than 72 hours before a meeting shall be available for immediate public inspection in the office of the Clerk to the Board at the address shown above. Public records distributed during the meeting *shall be made available at the meeting.*

**AMERICANS WITH DISABILITIES ACT:** In accordance with the Americans with Disabilities Act (ADA) and California law, it is the policy of El Dorado Irrigation District to offer its public programs, services, and meetings in a manner that is readily accessible to everyone, including individuals with disabilities. If you are a person with a disability and require information or materials in an appropriate alternative format; or if you require any other accommodation for this meeting, please contact the EID ADA coordinator at 530-642-4045 or email at [adacoordinator@eid.org](mailto:adacoordinator@eid.org) at least 72 hours prior to the meeting. Advance notification within this guideline will enable the District to make reasonable accommodations to ensure accessibility.

## CALL TO ORDER

Roll Call

## ADOPT AGENDA

## PUBLIC COMMENT

## NEW BUSINESS

1. Approval of the Minutes of the January 11, 2016, Meeting of the Board for the El Dorado Irrigation District Financing Corporation.

Option 1: Approve as submitted.

Option 2: Take other action as directed by the Board.

Option 3: Take no action.

**Recommended Action:** Option 1.

2. Consideration of a resolution authorizing the execution and delivery of not to exceed \$57,000,000 aggregate principal amount revenue certificates of participation and approving the execution and delivery of certain documents in connection therewith and certain other matters.

Option 1: Adopt a resolution authorizing the execution and delivery of not to exceed \$57,000,000 aggregate principal amount revenue certificates of participation and approving the execution and delivery of certain documents in connection therewith and certain other matters.

Option 2: Take other action as directed by the Board.

Option 3: Take no action.

**Recommended Action:** Option 1.

## ADJOURNMENT



**MINUTES  
MEETING OF THE EL DORADO IRRIGATION DISTRICT  
FINANCING CORPORATION**

**District Headquarters, Sly Park A and B Conference Rooms  
2890 Mosquito Road, Placerville, California**

**January 11, 2016 ~ immediately following Regular Board Meeting**

**Officers of the El Dorado Irrigation District  
Financing Corporation**

**Bill George**  
President  
Division III

**George Osborne**  
Vice President  
Division I

**Greg Prada**  
Director  
Division II

**Dale Coco, MD**  
Director  
Division IV

**Alan Day**  
Director  
Division V

**Jim Abercrombie**  
Secretary

**Thomas D. Cumpston**  
Counsel

**Mark Price**  
Chief Financial Officer

*In accordance with the Americans with Disabilities Act and California law, it is the policy of the El Dorado Irrigation District to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including individuals with disabilities. If you are a person with a disability and require information or materials in an appropriate alternative format; or if you require any other accommodation for this meeting, please contact the EID ADA coordinator at 530-642-4045 or e-mail at [adacoordinator@eid.org](mailto:adacoordinator@eid.org) at least 72 hours prior to the meeting. Advance notification within this guideline will enable the District to make reasonable accommodations to ensure accessibility.*

**PUBLIC COMMENT:** *Anyone wishing to comment about items not on the Agenda may do so during the public comment period. Those wishing to comment about items on the Agenda may do so when that item is heard and when the Board calls for public comment. **Public comments are limited to five minutes per person.***

**PUBLIC RECORDS DISTRIBUTED LESS THAN 72 HOURS BEFORE A MEETING:** *Any writing that is a public record and is distributed to all or a majority of the Board of Directors less than 72 hours before a meeting shall be available for immediate public inspection in the office of the Clerk to the Board at the address shown above. Public records distributed during the meeting shall be made available at the meeting.*

**CALL TO ORDER**

President George called the meeting to order at 3:15 P.M. Directors Osborne, Prada, George, Coco, and Day present. Secretary Abercrombie, General Counsel Cumpston, and Chief Financial Officer Price present.

**ADOPT AGENDA**

**ACTION:** Agenda was adopted

**MOTION CARRIED**

Ayes: Directors Coco, Osborne, Prada, George, and Day

**PUBLIC COMMENT**

None

**NEW BUSINESS**

- 1. The Board will hear nominations and elect the officers for President, Vice President, Secretary, and Chief Financial Officer.

**ACTION:** Director Coco moved to have all officers remain in their respective positions. Director Osborne seconded the motion. A poll vote was taken and all voted Aye.

- 2. Approval of the Minutes of the January 12, 2015, Meeting of the Board for the El Dorado Irrigation District Financing Corporation.

**ACTION:** Option 1: Approved as submitted.

**MOTION CARRIED**

Ayes: Directors Coco, Day, Osborne, Prada, and George

**ADJOURNMENT**

President George adjourned the meeting at 3:19 P.M.

---

Bill George, President  
 EL DORADO IRRIGATION DISTRICT  
 FINANCING CORPORATION

ATTEST:

---

Jennifer Sullivan, Clerk to the Board  
 EL DORADO IRRIGATION DISTRICT  
 FINANCING CORPORATION

Approved: \_\_\_\_\_

**EL DORADO IRRIGATION DISTRICT  
FINANCING CORPORATION**

**Subject:** Consideration of a resolution authorizing the execution and delivery of not to exceed \$57,000,000 aggregate principal amount revenue certificates of participation and approving the execution and delivery of certain documents in connection therewith and certain other matters.

**Previous Actions:**

The Board previously authorized the 2003A, 2003B, Certificates of Participation, the 2004A and 2004B refinancing Certificates of Participation, 2008A Adjustable Rate Revenue Certificates of Participation, 2009A Revenue Certificates of Participation, and the 2010A Revenue Certificates of Participation.

September 8, 2014 – The Board adopted a resolution of intent to issue tax-exempt obligations to finance specified capital improvement projects.

October 14, 2014 – The Board adopted an amending resolution of intent to issue tax-exempt obligations to include the repair of the Esmeralda Tunnel.

**Board Policies (BP), Administrative Regulations (AR), and Board Authority:**

Board Policy 3050 states that the District will be run in a fiscally responsible and prudent manner according to the principles of Administrative Regulation 3051. Section 2 of that regulation authorizes indebtedness as provided in the Irrigation District Act.

**Summary of Issue(s):**

District staff and the financing team are recommending that the Financing Corporation issue Certificates of Participation (“COPs”) in the approximate amount of \$57,000,000 (hereafter referred to as the “2016B COPs”) to fund certain capital improvement projects: Forebay Dam Upgrades project, Esmeralda Tunnel Repairs project, Main Ditch Piping project, Sly Park Intertie Improvements project, and the replacement of several flumes. Financing the listed capital improvement projects by issuing bond debt is appropriate in order to provide generational equity among District rate payers who will benefit from the long expected life of these projects.

The proposed resolution will authorize the Financing Corporation to issue the 2016B COPs, authorize the execution and delivery of the transaction documents, allow final revisions to the draft transaction documents, appoint a trustee to receive and escrow the debt proceeds, and give the General Manager authority to take other actions necessary or desirable to consummate the debt issuance.

## **Staff Analysis/Evaluation:**

The purpose of the proposed resolution is to facilitate the District's issuance of debt for capital expenditures. Proceeds derived from the sale of the 2016B COPs will fund the capital improvement projects: Forebay Dam Upgrades project, Esmeralda Tunnel Repairs project, Main Ditch Piping project, Sly Park Intertie Improvements project, and the replacement of several flumes. The life expectancy for each project, once complete, ranges from 30 to 50 years. Consequently, it is appropriate to finance these projects using debt proceeds. Doing so avoids the rate shock of requiring our existing customers to pay the entire costs and allowing future customers, who will also benefit from the projects' long life expectancy, to help shoulder some of their costs.

The purpose of the Board's resolutions of intent adopted on September 8 and October 14, 2014, were to enable reimbursement for capital expenditures from the date of adoption of the first resolution, to the date of issuance of the new debt. The District has spent approximately \$10 million on projects through April 2016 for which the District will be reimbursed from the 2016B COP proceeds.

Although the adopted 5-year financial plan reflects a bond sale of \$49.3 million, current projections for this transaction show the District will be able to issue about \$43.8 million in COPs and receive approximately another \$11.3 million in bond premium totaling about \$55.1 million in proceeds. The balance of the proceeds will fund a debt service reserve fund of around \$5.4 million, to be held by the trustee until the final maturity in 2029, and pay for the costs of issuance.

The resolution that authorizes the issuance of revenue COPs, also approves the assignment agreement between the financing corporation and Union Bank of California, the trustee, as well as the Installment Purchase Agreement with EID, and the Trust Agreement with EID and Union Bank of California. It acknowledges the Purchase Contract between EID and Citigroup for the initial sale of the COPs. All of these transactional documents are exhibits to the corresponding EID Board agenda item of this issue.

The resolution that authorizes the issuance of the 2016B COPs includes the following draft transaction documents:

**Installment Purchase Agreement:** This document is the contract between EID and the El Dorado Irrigation District Financing Corporation and confirms the existing financial covenants for the benefit of the owners of the 2016B COPs.

**Assignment Agreement:** This document assigns the El Dorado Irrigation Financing Corporation's interest in the Installment Purchase Agreement to Union Bank.

**Trust Agreement:** This document is an agreement between Union Bank as Trustee, EID and the EID Financing Corporation and sets forth the terms, conditions and covenants applicable to the 2016B COPs.

Preliminary Official Statement: This document describes all relevant details of the participants, the issue, outstanding debt of the District and the purpose of the issue. The Preliminary Official Statement is not only a marketing document; it is also a disclosure document that the District must ensure is accurate and complete in all material respects. Each Board member should review this document and provide comments as they deem appropriate, so that District staff and bond counsel may assess whether the comments necessitate changes to be incorporated into a revised Preliminary Official Statement and/or the final Official Statement.

Continuing disclosure certificate: This document describes the reporting requirements for the duration of the 2016B COPs.

**Board Decision/Options:**

**Option 1:** Adopt a resolution authorizing the execution and delivery of not to exceed \$57,000,000 aggregate principal amount revenue certificates of participation and approving the execution and delivery of certain documents in connection therewith and certain other matters.

**Option 2:** Take other action as directed by the Board.

**Option 3:** Take no action.

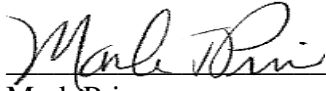
**Staff/General Manager's Recommendation:**

Option 1.

**Supporting Documents Attached:**

Attachment A: Proposed resolution with the following exhibits:

- 2016 B Certificates of Participation
- Installment Purchase Agreement
- Assignment Agreement
- Trust Agreement
- Preliminary Official Statement
- Continuing Disclosure Certificate

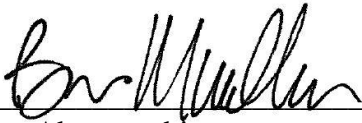


\_\_\_\_\_  
Mark Price  
Finance Director



\_\_\_\_\_  
Tom Cumpston  
General Counsel

for



\_\_\_\_\_  
Jim Abercrombie  
General Manager

for



## RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE EL DORADO IRRIGATION DISTRICT FINANCING CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$57,000,000 REVENUE CERTIFICATES OF PARTICIPATION, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the El Dorado Irrigation District Financing Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation") with the authority to assist in the acquisition of facilities on behalf of El Dorado Irrigation District (the "District"); and

**WHEREAS**, the District has determined that it would be in the best interests of the District and citizens of the community to authorize the preparation and delivery of Revenue Certificates of Participation in an aggregate principal amount not to exceed \$57,000,000 (the "Certificates"), to acquire facilities for the District; and

**WHEREAS**, the District and the Corporation desire to enter into that certain Installment Purchase Agreement, by and between the District and the Corporation (the "Installment Purchase Agreement"), the form of which is on file with the Corporation, that certain Trust Agreement, by and among the Trustee named therein, as trustee (the "Trustee"), the District and the Corporation (the "Trust Agreement"), the form of which is on file with the Corporation and that certain Assignment Agreement, by and between the Corporation and the Trustee (the "Assignment Agreement"), the form of which is on file with the Corporation; and

**WHEREAS**, the Certificates will be sold to the underwriter (the "Underwriter") named in a Purchase Contract, by and between the District and the Underwriter and acknowledged by the Corporation (the "Purchase Contract"), the form of which is on file with the Corporation;

**NOW, THEREFORE**, the Board of Directors of the Corporation does hereby resolve as follows:

Section 1. Certificates. This Board of Directors hereby authorizes the preparation, sale and delivery of the Certificates in an aggregate principal amount not to exceed \$57,000,000 in accordance with the terms and provisions of the Trust Agreement. The purposes for which the proceeds of the sale of the Certificates shall be expended are to acquire certain facilities for the District as described in the Installment Purchase Agreement, to fund a reserve fund for the Certificates and to pay the costs of delivery of the Certificates.

Section 2. Certificate Documents. The Installment Purchase Agreement, the Assignment Agreement, the Trust Agreement and the Purchase Contract presented at this meeting are approved. The President or Vice-President and the Secretary are authorized and directed to execute and deliver the Installment Purchase Agreement, the Assignment Agreement and the Trust Agreement and the Executive Director is authorized and directed to acknowledge said Purchase Contract. Such agreements and contract shall be executed or acknowledged, as the case may be, in

substantially the forms hereby approved, with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, as Special Counsel (“Special Counsel”) and approved by the officers executing the same, said execution being conclusive evidence of such approval.

Section 3.     Other Actions. The President, Vice-President, the Secretary or Executive Director and such other officers of the Corporation are authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, and the delivery of the Installment Purchase Agreement, Assignment Agreement and Trust Agreement and acknowledgment of the Purchase Contract and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

Section 4.     Effect. This Resolution shall take effect immediately.

I certify that the foregoing resolution was adopted by the Board of Directors of the El Dorado Irrigation District Financing Corporation on June 27, 2016.

---

President

ATTEST:

---

Secretary

**INSTALLMENT PURCHASE AGREEMENT**

by and between

EL DORADO IRRIGATION DISTRICT

and

EL DORADO IRRIGATION DISTRICT FINANCING CORPORATION

Dated as of June 1, 2016

Relating to

\$\_\_\_\_\_

EL DORADO IRRIGATION DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION,  
SERIES 2016B

**TABLE OF CONTENTS**

**Page**

**ARTICLE I**

**DEFINITIONS**

Section 1.1 Definitions ..... 1

**ARTICLE II**

**REPRESENTATIONS AND WARRANTIES**

Section 2.1 Representations by the District ..... 11  
Section 2.2 Representations and Warranties by the Corporation ..... 11

**ARTICLE III**

**ACQUISITION OF THE PROJECT**

Section 3.1 Purchase and Sale of the Project ..... 12  
Section 3.2 Title ..... 12  
Section 3.3 Acquisition and Construction of the Project ..... 12  
Section 3.4 Changes to the Project ..... 12  
Section 3.5 Acquisition Fund ..... 13

**ARTICLE IV**

**INSTALLMENT PAYMENTS**

Section 4.1 Purchase Price ..... 13  
Section 4.2 Installment Payments ..... 14

**ARTICLE V**

**SECURITY**

Section 5.1 Pledge of Revenues ..... 14  
Section 5.2 Allocation of Revenues ..... 14  
Section 5.3 Additional Contracts and Bonds ..... 15  
Section 5.4 Investments ..... 16

**ARTICLE VI**

**COVENANTS OF THE DISTRICT**

Section 6.1 Compliance with Installment Purchase Agreement and Ancillary  
Agreements ..... 16  
Section 6.2 Against Encumbrances ..... 17

Section 6.3	Against Sale or Other Disposition of Property .....	17
Section 6.4	Against Competitive Facilities.....	17
Section 6.5	Tax Covenants .....	18
Section 6.6	Maintenance and Operation of the Water System and Wastewater System .....	18
Section 6.7	Payment of Claims.....	19
Section 6.8	Compliance with Contracts.....	19
Section 6.9	Insurance.....	19
Section 6.10	Accounting Records; Financial Statements and Other Reports .....	20
Section 6.11	Protection of Security and Rights of the Corporation.....	20
Section 6.12	Payment of Taxes and Compliance with Governmental Regulations .....	20
Section 6.13	Amount of Rates and Charges .....	20
Section 6.14	Collection of Rates and Charges.....	21
Section 6.15	Eminent Domain Proceeds.....	21
Section 6.16	Further Assurances .....	22
Section 6.17	Enforcement of Contracts .....	22
Section 6.18	Continuing Disclosure .....	22
Section 6.19	Compliance with U.S. Bureau of Reclamation Contract .....	22

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1	Prepayment .....	22
Section 7.2	Method of Prepayment.....	23

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.1	Events of Default and Acceleration of Maturities .....	23
Section 8.2	Application of Funds Upon Acceleration .....	24
Section 8.3	Other Remedies of the Corporation .....	25
Section 8.4	Non-Waiver .....	25
Section 8.5	Remedies Not Exclusive.....	26
Section 8.6	Insurer Rights.....	26

## ARTICLE IX

### DISCHARGE OF OBLIGATIONS

Section 9.1	Discharge of Obligations .....	26
-------------	--------------------------------	----

## ARTICLE X

### MISCELLANEOUS

Section 10.1	Liability of District Limited to Revenues .....	27
Section 10.2	Benefits of Installment Purchase Agreement Limited to Parties .....	27
Section 10.3	Successor Is Deemed Included in all References to Predecessor .....	27

Section 10.4	Waiver of Personal Liability .....	28
Section 10.5	Article and Section Headings, Gender and References .....	28
Section 10.6	Partial Invalidity .....	28
Section 10.7	Assignment .....	28
Section 10.8	Net Contract.....	28
Section 10.9	California Law .....	28
Section 10.10	Notices .....	28
Section 10.11	Effective Date .....	29
Section 10.12	Execution in Counterparts .....	29
Section 10.13	Indemnification of Corporation .....	29
Section 10.14	Amendments Permitted.....	29
Section 10.15	Insurer as Third Party Beneficiary .....	30
Section 10.16	Impairment of Insurer’s Rights.....	30
Section 10.17	Interest Rate Exchange Agreement.....	30
Section 10.18	Insurer Consideration.....	31
Section 10.19	Reimbursement of Fees .....	31
Section 10.20	Discussion of and Access to Information .....	31
EXHIBIT A	THE PROJECT .....	A-1
EXHIBIT B	PURCHASE PRICE .....	B-1
EXHIBIT C	FORM OF REQUISITION.....	C-1

## INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of June 1, 2016 by and between EL DORADO IRRIGATION DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the "District"), and EL DORADO IRRIGATION DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation").

### WITNESSETH:

WHEREAS, the District proposes to finance certain facilities within its Water System and Wastewater System described in Exhibit A (the "Project");

WHEREAS, the Corporation has agreed to assist the District in financing the Project for the District on the terms and conditions set forth in this Agreement;

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including but not limited to Section 22425, to acquire property for its Water System and Wastewater System and by Division 11 of the Water Code of the State of California, including but not limited to Sections 22500 and 24252, to sell property comprising its Water System and Wastewater System;

WHEREAS, the District and the Corporation have duly authorized the execution of this Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement;

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

### ARTICLE I

#### DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Unless the context otherwise requires, all capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Trust Agreement.

#### 2008A Installment Purchase Agreement – Variable Rate

The term “2008A Installment Purchase Agreement – Variable Rate” means the Installment Purchase Agreement – Variable Rate, dated as of March 1, 2008, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

#### 2009A Installment Purchase Agreement – Fixed Rate

The term “2009A Installment Purchase Agreement – Fixed Rate” means the Installment Purchase Agreement – Fixed Rate, dated as of August 1, 2008, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

#### 2010A Installment Purchase Agreement – Fixed Rate

The term “2010A Installment Purchase Agreement – Fixed Rate” means the Installment Purchase Agreement – Fixed Rate, dated as of February 1, 2010, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

#### 2012A Bonds

The term “2012A Bonds” means the El Dorado Irrigation District Refunding Revenue Bonds, Series 2012A.

#### 2012B Bonds

The term “2012B Bonds” means the El Dorado Irrigation District Refunding Revenue Bonds, Series 2012B (Taxable).

#### 2014A Bonds

The term “2014A Bonds” means El Dorado Irrigation District Refunding Revenue Bonds, Series 2014A.

#### 2016 Bonds

The term “2016 Bonds” means the El Dorado Irrigation District Refunding Revenue Bonds, Series 2016A.

#### Accountant’s Report

The term “Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

#### Acquisition Fund

The term “Acquisition Fund” means the Acquisition Fund by that name created pursuant to Section 3.5 hereof.



### Agreement

The term “Agreement” means this Agreement, by and between the District and the Corporation, dated as of June 1, 2016, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

### Assignment Agreement

The term “Assignment Agreement” means the Assignment Agreement, by and between the Corporation and the Trustee, dated as of June 1, 2016, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

### Bonds

The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.1 hereof, including the 2012A Bonds, 2012B Bonds, 2014A Bonds and 2016 Bonds.

### Business Day

The term “Business Day” means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

### Certificates

The term “Certificates” means the \$\_\_\_\_\_ aggregate principal amount of El Dorado Irrigation District Revenue Certificates of Participation, Series 2016B, executed and delivered on behalf of the District and at any time Outstanding pursuant to the Trust Agreement.

### Closing Date

The term “Closing Date” means the date on which the Certificates are executed and delivered to the original purchaser thereof.

### Continuing Disclosure Certificate

The term “Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Closing Date, of the District, as originally executed and as it may be from time to time amended or supplemented in accordance with its terms.

### Contracts

The term “Contracts” means and is limited to all contracts of the District previously or hereafter authorized and executed by the District and the Parity Installment Payments which are on a parity with the Installment Payments and which are secured by a pledge and lien on the Revenues as described in Section 5.1 hereof, including the 2008A Installment Purchase Agreement – Variable Rate; the 2009A Installment Purchase Agreement – Fixed Rate, the 2010A Installment Purchase

Agreement – Fixed Rate; the Credit Facility Agreement; and the DPH Contract, but excluding contracts entered into for operation and maintenance of the Water System or Wastewater System.

#### Corporation

The term “Corporation” means the El Dorado Irrigation District Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

#### Credit Facility Agreement

The term “Credit Facility Agreement” means the Letter of Credit Reimbursement Agreement, dated April 6, 2011, by and between the District and Citibank, N.A., as amended by the First Amendment to Letter of Credit Reimbursement Agreement, dated February 5, 2014, between the District and Citibank, N.A., and as such agreement may be further amended or supplemented from time-to-time in accordance with the terms thereof.

#### Date of Operation

The term “Date of Operation” means, with respect to any uncompleted component Parity Project, the estimated date by which such uncompleted component Parity Project will have been completed and, in the opinion of an engineer, will be ready for operation by or on behalf of the District.

#### Debt Service

The term “Debt Service” means, for any period of calculation, the sum of:

- (1) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized);
- (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period;
- (3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and
- (4) those portions of the Contracts required to be made during such period, (except to the extent the interest evidenced and represented thereby is capitalized);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

- (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%, and
- (ii) if such Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if such Bonds or Contracts have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Bonds to be issued or the Contracts to be executed;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that if the Bonds or Contracts constitute paired obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such paired obligations; and

provided further that the amount on deposit in a debt service 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 Bonds and Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

#### District

The term “District” means El Dorado Irrigation District, an irrigation district duly organized and existing under and by virtue of the laws of the State of California.

#### DPH Contract

The term “DPH Contract” means the Funding Agreement (Bass Lake Tanks) entered into in connection with loan number SRF2002CX143, dated as of June 25, 2007, by and between the State of California Health and Human Services Agency, Department of Health Services (now renamed the Department of Public Health) and the District and all exhibits and attachments thereto, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

#### Event of Default

The term “Event of Default” means any of the events specified in Section 8.1.

Fiscal Year

The term “Fiscal Year” means the twelve month period beginning on January 1 of each year and ending on December 31 of the following year, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Independent Certified Public Accountant

The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, each of whom is independent of the District and the Corporation pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant

The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; and (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto.

Installment Payment Date; Parity Installment Payment Date

The term “Installment Payment Date” means the fifth day prior to each Interest Payment Date, or if said date is not a Business Day, then the preceding Business Day. The term “Parity Installment Payment Date” means each date on which Parity Installment Payments are scheduled to be paid by the District under and pursuant to any Contract.

Installment Payments; Parity Installment Payments

The term “Installment Payments” means the installment payments of interest and principal scheduled to be paid by the District under and pursuant hereto. The term “Parity Installment Payments” means the payments of interest and principal scheduled to be paid by the District under and pursuant to the Contracts.

Interest Payment Date

The term “Interest Payment Date” means September 1, 2016, and each March 1 and September 1 thereafter.

Law

The term “Law” means the Irrigation District Law of the State of California (being Division 11 of the Water Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto.

Manager

The Term “Manager” means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

### Net Proceeds

The term “Net Proceeds” means, when used with respect to any casualty 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

The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

### Net Wastewater System Revenues

The term “Net Wastewater System Revenues” means for any Fiscal Year, the Wastewater System Revenues for such Fiscal Year less the Operation and Maintenance Costs allocable to the Wastewater System.

### Net Water System Revenues

The term “Net Water System Revenues” means for any Fiscal Year, the Water System Revenues for such Fiscal Year less the Operation and Maintenance Costs allocable to the Water System.

### Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means (i) costs spent or incurred for maintenance and operation of the Water System and Wastewater System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System and Wastewater System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System and Wastewater System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of this Agreement or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds and (ii) all costs of water purchased or otherwise acquired for delivery by the Water System (including any interim or renewed arrangement therefor), but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, including but not limited to prior period adjustments or restatements made in subsequent periods which would not have affected the District’s statements of revenues, expenses and changes in net position.

### Participating Underwriter

The term “Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

Pre-Existing Indebtedness

The term “Pre-Existing Indebtedness” means certain payment obligations of the District to the State of California Department of Water Resources for loans, four of which are dated as of May 1, 2000, numbered SRF1997CX102, SRF1997CX103, SRF1997CX104 and SRF1997CX105, two of which are dated as of June 28, 2005, numbered SRF2002CX131 and SRF2002CX130, and SRF2002CX141 dated as of January 26, 2007, SRF2002CX142 dated as of April 30, 2007, and SRF2002CX140 dated as of May 18, 2007 each made by the State of California Department of Water Resources to the District under the California Safe Drinking Water Revolving Fund Law of 1997.

Project

The term “Project” means certain facilities within the Water System and Wastewater System of the District described in Exhibit A herein.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Corporation under the terms hereof as provided in Section 4.1.

Reserve Requirement

The term “Reserve Requirement” means \$\_\_\_\_\_.

Revenue Fund

The term “Revenue Fund” means the fund by that name continued pursuant to Section 5.2.

Revenues

The term “Revenues” means (i) Water System Revenues, (ii) Wastewater System Revenues, and (iii) other revenues received by the District, as determined by generally accepted accounting principles, including, without limiting the generality of the foregoing,

(1) all amounts, if and to the extent received by the District as its share of the 1% *ad valorem* property tax not allocated by the Board of Directors of the District to the Water System Revenues or the Wastewater System Revenues, plus

(2) the earnings on and income derived from the investment of the amounts described in clause (1) hereof and the general unrestricted funds of the District,

but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.

State

The term “State” means the State of California.

### Trust Agreement

The term “Trust Agreement” means the Trust Agreement, dated as of June 1, 2016, by and between the District, the Corporation and the Trustee, relating to the Certificates, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

### U.S. Bureau of Reclamation Contract

The term “U.S. Bureau of Reclamation Contract” means the Contract between the United States and the District providing for the construction of the Sly Park Unit of the Central Valley Project, and all amendments and supplements thereto, providing for payment obligations of the District to the United States Bureau of Reclamation for certain debt of the United States Bureau of Reclamation approved by voters of the District in 1959, 1969, 1972 and 1975.

### Wastewater Service

The term “Wastewater Service” means the wastewater treatment service and reclaimed water sales made available or provided by the Wastewater System.

### Wastewater System

The term “Wastewater System” means the whole and each and every part of the wastewater treatment and recycled water system of the District, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such wastewater treatment system or any part thereof hereafter acquired or constructed.

### Wastewater System Revenues

The term “Wastewater System Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater System, determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing,

- (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the furnishing of wastewater treatment, provision of recycled water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Wastewater System, plus
- (2) the facility capacity charges or similar charges related to the Wastewater System, plus
- (3) for any Fiscal Year, the amount of 1% *ad valorem* property tax allocated by the Board of Directors of the District to the Wastewater System Revenues, if and to the extent received and so allocated by the District, plus
- (4) the earnings on and income derived from the investment of the amounts described in clauses (1), (2) and (3) hereof,

but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.

#### Water Service

The term “Water Service” means the water distribution service made available or provided by the Water System.

#### Water System

The term “Water System” means the whole and each and every part of the water system of the District, including District hydroelectric facilities, and including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system and hydroelectric facilities or any part thereof hereafter acquired or constructed.

#### Water System Revenues

The term “Water System Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing,

(1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of water, hydroelectric power or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus

(2) the proceeds of any stand-by or water availability charges, plus

(3) the facility capacity charges or similar charges related to the Water System, plus

(4) for any Fiscal Year, the amount of 1% *ad valorem* property tax allocated by the Board of Directors of the District to the Water System Revenues, if and to the extent received and so allocated by the District, plus

(5) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the recreation facilities which are operational; plus

(6) the earnings on and income derived from the investment of the amounts described in clauses (1), (2), (3), (4) and (5) hereof,

but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.



Written Consent of the Corporation or District, Written Order of the Corporation or District, Written Request of the Corporation or District, Written Requisition of the Corporation or District

The terms “Written Consent of the Corporation or District,” “Written Order of the Corporation or District,” “Written Request of the Corporation or District,” and “Written Requisition of the Corporation or District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of (i) the Corporation by its President or a Vice President or (ii) the District by the President of its Board of Directors or its General Manager or by the Secretary of its Board of Directors or by any two persons (whether or not officers of the Board of Directors of the District) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations by the District. The District makes the following representations:

(a) The District is an irrigation district duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the terms of this Agreement being included in the gross income of the Certificate Owners or their assigns for purposes of federal or State of California income taxation.

(e) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District sell the Project to the Corporation and acquire the Project, in the manner provided for in this Agreement.

Section 2.2 Representations and Warranties by the Corporation. The Corporation makes the following representations and warranties:

(a) The Corporation is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement and by proper action has duly authorized the execution and delivery and due performance of this Agreement.

(b) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or

other agency of government, or any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

(c) The Corporation will not take or permit any action to be taken which results in interest paid for the installment purchase of the Project under the terms of this Agreement being included in the gross income of the Certificate Owners or their assigns for purposes of federal or State of California income taxation.

### ARTICLE III

#### ACQUISITION OF THE PROJECT

Section 3.1 Purchase and Sale of the Project. In consideration for the Installment Payments as set forth in Section 4.2, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation the Project at the Purchase Price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.2 Title. All right, title and interest in the Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Corporation or the District and the Corporation 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 3.3 Acquisition and Construction of the Project. The Corporation hereby agrees to cause the Project, and any additions or modifications thereto, to be constructed, acquired or installed by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Corporation, the complete construction, acquisition and installation of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed after the deposit of funds with the Trustee pursuant to the Trust Agreement, upon satisfactory completion of design work and compliance with all environmental and other laws including, but not limited to, the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Corporation shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Section 3.4 Changes to the Project. The District may substitute other improvements for those listed as components of the Project in Exhibit A hereto, but only if the District first files with the Corporation and the Trustee a statement of the District:

(a) identifying the improvements to be deleted from such Exhibit and the improvements to replace such deleted improvements; and

(b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.5 Acquisition Fund. There is hereby established with the District the Acquisition Fund. The District shall deposit moneys received from the proceeds of the Certificates into the Acquisition Fund.

The moneys in the Acquisition Fund shall be held by the District in trust and moneys therein shall be applied to the payment of the costs of acquisition and construction of the Project, and of expenses incidental thereto, including costs of delivering the Certificates. Before any payment is made from the Acquisition Fund by the Director of Finance of the District, the General Manager of the District shall cause to be filed with the Director of Finance of the District a Written Requisition of the District in the form set forth in Exhibit C hereto.

Upon receipt of each such Written Requisition, the Director of Finance of the District will pay the amount set forth in such Written Requisition as directed by the terms thereof. The Director of Finance of the District need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the Project shall have been constructed and acquired in accordance with this Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Director of Finance of the District and the Trustee by the District. Upon the receipt of such statement, the Director of Finance of the District shall transfer any remaining balance in the Acquisition Fund and not needed for Acquisition Fund purposes (but less the amount of any such retention which amount shall be certified to the Director of Finance of the District by the District) to the Trustee which shall transfer such amounts to the Certificate Payment Fund for deposit by the Trustee in the Certificate Payment Fund.

## ARTICLE IV

### INSTALLMENT PAYMENTS

#### Section 4.1 Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Corporation is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the District hereunder is set forth in Exhibit B hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B hereto, and shall be paid by the District as and constitute interest paid with respect to the principal amount of the District's obligations hereunder.

Section 4.2 Installment Payments. The District shall, subject to any rights of prepayment provided in Article VII, pay the Corporation the Purchase Price in installment payments of interest and principal in the amounts and on the Installment Payment Dates as set forth in Exhibit B hereto.

Each Installment Payment shall be paid to the Corporation in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid; and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Installment Payments if paid in accordance with their terms.

Subject to Section 10.1 hereof, the obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Installment Payments required to be made by it under this section when due, whether or not the Water System, Wastewater System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

## ARTICLE V

### SECURITY

Section 5.1 Pledge of Revenues. All Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Installment Payments as provided herein; subject, however, to the pledge thereon securing Pre-Existing Indebtedness now in existence and the Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a lien on Revenues and, subject to application of Revenues and all amounts on deposit in the Revenue Fund as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and the Trust Agreement.

Section 5.2 Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby continued and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Agreement.

The District shall, from the moneys in the Revenue Fund, pay 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 then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be used to make payments with respect to Pre-Existing Indebtedness when due and payable. Thereafter all remaining moneys in the Revenue Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section.

(a) Installment Payments. Not later than each Installment Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(b) Reserve Funds. On or before each Installment Payment Date the District shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit in the Reserve Fund and to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts other than this Agreement, that sum, if any, necessary to restore the Reserve Fund or such other reserve funds and/or accounts to an amount equal to the Reserve Requirement or such other reserve requirements; provided, however, that the District may provide for the Reserve Fund by means other than cash and Permitted Investments pursuant to Section 5.4 of the Trust Agreement. Notwithstanding the foregoing, no such transfer shall be made with respect to the Reserve Fund, which shall be deemed fully funded at all times by the deposit of the Reserve Surety Policy therein.

(c) Surplus. Moneys on deposit in the Revenue Fund on each Installment Payment Date not necessary to make any of the payments required above may be expended by the District at any time for any purpose permitted by law.

Section 5.3 Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the

Water Service and Wastewater Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and Wastewater Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 5.3, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

Section 5.4 Investments. All moneys held by the District in the Revenue Fund and Acquisition Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

## ARTICLE VI

### COVENANTS OF THE DISTRICT

Section 6.1 Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this 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 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Corporation or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

It is expressly understood and agreed by and among the parties to this Agreement that, subject to Section 10.6 hereof, each of the agreements, conditions, covenants and terms contained in this Agreement is an essential and material term of the purchase of and payment for the Project by the District pursuant to, and in accordance with, and as authorized under the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.2 Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted herein or incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Revenues on any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.3 Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or Wastewater System or any part thereof necessary to secure adequate Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Corporation hereunder or the operation of the Water System or Wastewater System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System or Wastewater System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System or Wastewater System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System or Wastewater System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System or Wastewater System.

Section 6.4 Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate

within the District any water or wastewater system competitive with the Water System or Wastewater System.

Section 6.5 Tax Covenants. Notwithstanding any other provision of this Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest with respect to the Certificates will not be adversely affected for federal income tax purposes, the District and the Corporation covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District and the Corporation will not take or omit to take any action or make any use of the proceeds of the Certificates or of any other moneys or property which would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The District and the Corporation will make no use of the proceeds of the Certificates or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District and the Corporation will make no use of the proceeds of the Certificates or take or omit to take any action that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District and the Corporation will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code.

(e) Hedge Bonds. The District and the Corporation will make no use of the proceeds of the Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Certificates to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Certificates for federal income tax purposes.

(f) Miscellaneous. The District and the Corporation will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed with respect to the Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District and the Corporation from executing and delivering Certificates, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6 Maintenance and Operation of the Water System and Wastewater System. The District will maintain and preserve the Water System and Wastewater System in good repair and working order at all times and will operate the Water System and Wastewater System in an efficient



and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.7 Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the Installment Payments or to the Owners prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Payments.

Section 6.8 Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay Installment Payments when due; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System or Wastewater System, to the extent that the District is a party thereto.

Section 6.9 Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System and Wastewater System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System and Wastewater System) as are usually covered in connection with water and wastewater systems similar to the Water System and Wastewater System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System or Wastewater System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System or Wastewater System, respectively. 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 Water System and Wastewater System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System or Wastewater System, respectively, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System or Wastewater System, respectively, then the excess Net Proceeds shall be applied in part to the prepayment of Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System or Wastewater System, and/or not to construct other additions, betterments, extensions or improvements to the Water System or Wastewater System; and

thereupon such Net Proceeds shall be applied to the prepayment of Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the Corporation, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water and wastewater systems similar to the Water System and Wastewater System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water and wastewater systems similar to the Water System and Wastewater System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.10 Accounting Records; Financial Statements and Other Reports.

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

(b) The District will prepare and file with the Corporation and the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending December 31, 2016) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

Section 6.11 Protection of Security and Rights of the Corporation. The District will preserve and protect the security hereof and the rights of the Corporation to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12 Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, Wastewater System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, Wastewater System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.13 Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Water System.

(b) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

(c) The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water System Revenues or Net Wastewater System Revenues, as applicable, from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(d) For avoidance of doubt, so long as the District has complied with its obligations set forth in subsection (a) and (b) above, the failure of Net Water System Revenues or Net Wastewater System Revenues to meet the thresholds set forth in Section 6.13(a) or (b) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 6.13(a) and (b) at the commencement of the succeeding Fiscal Year.

(e) For purposes of this Section 6.13, any Policy Costs (as defined in the Insurance Policy) due and owing shall be treated as Operation and Maintenance Costs.

Section 6.14 Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and Wastewater Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.15 Eminent Domain Proceeds. If all or any part of the Water System or Wastewater System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District files with the Corporation and the Trustee a certificate showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Water System or Wastewater System proposed to be acquired and constructed by the District from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Corporation and the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds

and Contracts in the same proportion which the aggregate unpaid principal balance of Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16 Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

Section 6.17 Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay Installment Payments.

Section 6.18 Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner of Certificates or Beneficial Owner 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 (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificate for federal income tax purposes.

Section 6.19 Compliance with U.S. Bureau of Reclamation Contract. The District will comply with Article No. 12 of the U.S. Bureau of Reclamation Contract which requires the District to levy and collect all necessary taxes and assessments to make the payment thereunder.

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

#### Section 7.1 Prepayment.

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided herein on any date, all or any part on any Installment Payment Date, of the principal amount of the unpaid Installment Payments at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The District may prepay the Installment Payments maturing on March 1, 20\_\_ either in inverse order of maturity or pro rata among maturities, as a whole or in part, or as otherwise selected by the District, on any date on or after March 1, 20\_\_ from any available funds. The principal amount of the unpaid Installment Payments is payable at a prepayment price equal to the principal amount of the Installment Payments to be prepaid plus accrued interest thereon to the date of prepayment without premium.

(c) Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Corporation).

Section 7.2 Method of Prepayment. Before making any prepayment pursuant to Section 7.1(a), the District may, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Corporation and the Trustee describing such event and specifying the date on which the prepayment of the Certificates will be paid, which date shall be not less than thirty (30) days from the date such notice is given, unless such prepayment must occur on an Interest Payment Date, in which case such date shall be the next Interest Payment Date with respect to which notice of prepayment may be timely given pursuant to the Trust Agreement.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.1 Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(a) if default shall be made by the by the District in the due and punctual payment of the principal with respect to any Installment Payments when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for prepayment, by acceleration, or otherwise;

(b) if default shall be made by the District in the due and punctual payment of the interest with respect to any Installment Payments when and as the same shall become due and payable;

(c) if default shall be made by the District in the observance of any of the other covenants, agreements or conditions on its part in the Agreement if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of Certificates Outstanding; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such thirty (30) day period and corrective action is instituted by the District within such thirty (30) day period and diligently pursued in good faith until the default is corrected, with the written approval of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), such default shall not be an Event of Default hereunder;

(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; or

(e) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case during the continuance of such Event of Default specified in clauses (d) and (e) above, the Corporation shall, and for any other such Event of Default the Corporation may, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), which consent shall be at the sole discretion of the Insurer, upon notice in writing to the District, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection however, is subject to the condition that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Corporation a sum sufficient to pay the unpaid principal amount of the Installment Payments and/or the unpaid payment of any other Contract or Bond referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Corporation, and any and all other defaults known to the Corporation (other than in the payment of the entire principal amount of the unpaid Installment 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 Corporation or provision deemed by the Corporation to be adequate shall have been made therefor, then and in every such case the Corporation 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.

Section 8.2 Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Revenues thereafter received shall be applied in the following order -

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Corporation and Trustee, including reasonable compensation to its accountants and counsel, pursuant to Section 5.7 of the Trust Agreement;

Second, to the payment of the Operation and Maintenance Costs; and

Third, to the payment of the entire principal amount of the unpaid Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms, in the following order of priority:

First: to the persons entitled thereto of all installments of interest then due with respect to the Installment Payments, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: to the persons entitled thereto of all installments of unpaid principal with respect to any Installment Payments, with respect to such Contract or on such Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the Installment Payments together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: if there shall exist any remainder after the foregoing payments, such remainder shall be paid to the District.

Section 8.3 Other Remedies of the Corporation. The Corporation 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 director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Corporation; or

(c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, the Corporation shall not have a security interest in or mortgage on the Project, the Water System or Wastewater System or other assets of the District, and no default hereunder shall result in the loss of the Project, the Water System or Wastewater System or other assets of the District.

Section 8.4 Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Corporation at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Corporation 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 of duty or contract. No delay or omission by the Corporation to

exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Corporation by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the District and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

If any remedial action is discontinued or abandoned, the Trustee and Certificate Owners shall be restored to their former positions.

Section 8.6 Insurer Rights. The Insurer shall be deemed to be the sole holder of the Certificates insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Certificates insured by it are entitled to take pursuant to the Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

## ARTICLE IX

### DISCHARGE OF OBLIGATIONS

#### Section 9.1 Discharge of Obligations.

(a) When all or any portion of the Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Corporation or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clause (1) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Installment Payments to their respective Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee,

then and in that event, the right, title and interest of the Corporation herein and the obligations of the District hereunder shall, with respect to all or such portion of the Installment Payments as have been



so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Installment Payments);

in such event, upon request of the District the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Trust Agreement, as an overpayment of Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Installment Payments and shall be applied by the Trustee to the payment of the Installment Payments of the District.

This Agreement shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The District's obligation to pay such amounts shall expressly survive payment in full of the Installment Payments.

## ARTICLE X

### MISCELLANEOUS

Section 10.1 Liability of District Limited to Revenues. The obligation of the District to make the Installment Payments is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues and the Revenue Fund for the payment of amounts due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

Section 10.2 Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Corporation any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the other party.

Section 10.3 Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4 Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Corporation shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Corporation hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7 Assignment. This Agreement and any rights hereunder may be assigned by the Corporation, as a whole or in part, without the necessity of obtaining the prior consent of the District.

Section 10.8 Net Contract. This Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9 California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10 Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: El Dorado Irrigation District  
2890 Mosquito Road  
Placerville, CA 95667  
Attention: General Manager

If to the Corporation: El Dorado Irrigation District Financing Corporation  
2890 Mosquito Road  
Placerville, CA 95667  
Attention: President

If to the Insurer: [TO COME]

In each case in which a notice or other communication to the Insurer refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED." Notwithstanding the foregoing provisions of this Section 10.10, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 10.11 Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Corporation).

Section 10.12 Execution in Counterparts. This Agreement 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 10.13 Indemnification of Corporation. The District hereby agrees to indemnify and hold harmless the Corporation if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and under the Trust Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Trust Agreement by the Corporation.

Section 10.14 Amendments Permitted. This Agreement and the rights and obligations of the Corporation, the District, the Owners of the Certificates and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, and the written consent of the Insurer, so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, shall have been filed with the Trustee. No such modification or amendment shall (1) extend the stated maturities of the Certificates, or reduce the rate of interest represented thereby, or change the method of computing the rate of interest with respect thereto, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Certificate so affected, or (2) reduce the aforesaid percentage of Owners of Certificates whose consent is required for the execution of any amendment or modification of this Agreement without the consent of the Owners of all Certificates then Outstanding, or (3) modify any of the rights or obligations of the Trustee or the Corporation without its respective written consent thereto.

This Agreement and the rights and obligations of the Corporation, the District and of the Owners of the Certificates may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any Certificates, but with the written consent of the Insurer so long as the Insurer has not defaulted on any obligation

under the Insurance Policy or the Reserve Surety Policy, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Corporation or the District contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the District, and which shall not adversely affect the interests of the Owners of the Certificates;

(b) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Corporation or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Certificates; and

(c) to make such other amendments or modifications as may be in the best interests of the Owners of the Certificates.

No amendment without consent of the Owners of the Certificates may modify any of the rights or obligations of the Trustee without its written consent thereto.

Section 10.15 Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Agreement.

Section 10.16 Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Installment Payments may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer

Section 10.17 Interest Rate Exchange Agreement. Any interest rate exchange agreement ("Swap Agreement") entered into by the District shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to the payment of the Installment Payments and on any debt on parity with Contracts or Bonds. The District shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the District to be in default under this Agreement or any supplement thereto or amendment thereof, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by S&P and Moody's. If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baal" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), shall be required.

Section 10.18 Insurer Consideration. The rights granted to the Insurer under this Agreement or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 10.19 Reimbursement of Fees. The District shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security in this Agreement or any supplement thereto or amendment thereof, (b) the pursuit of any remedies under this Agreement or any supplement thereto or amendment thereof or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, this Agreement or any supplement thereto or amendment thereof whether or not executed or completed, or (d) any litigation or other dispute in connection with this Agreement or any supplement thereto or amendment thereof or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Agreement or any supplement thereto or amendment thereof.

Section 10.20 Discussion of and Access to Information. The District will permit the Insurer to discuss the affairs, finances and accounts of the District or any information the Insurer may reasonably request regarding the security for the Installment Payments with appropriate officers of the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the District on any Business Day upon reasonable prior notice.

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

EL DORADO IRRIGATION DISTRICT

---

President

ATTEST

---

Secretary of the Board

EL DORADO IRRIGATION DISTRICT  
FINANCING CORPORATION

---

President

---

Secretary

EXHIBIT A  
THE PROJECT

The Project comprises the following described improvements to the Water System.

*Components*

Forebay Dam Upgrades

Esmeralda Tunnel Repairs

Main Ditch Piping (Forebay to Reservoir 1)

Sly Park Intertie Improvements

Replacement of Flumes 38-40

Replacement of Flumes 42-45

EXHIBIT B

PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is \$\_\_\_\_\_.

2. The installment payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

<i>Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
---------------------------------	---	--	--------------

[TO COME FROM FINANCIAL ADVISOR]



EXHIBIT C

FORM OF REQUISITION NO. \_\_\_\_ FOR  
DISBURSEMENT FROM ACQUISITION FUND

EL DORADO IRRIGATION DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
SERIES 2016B

The undersigned hereby states and certifies:

(i) that he is the duly appointed, qualified and acting General Manager of the El Dorado Irrigation District, a political subdivision organized and existing under the laws of the State of California (the "District"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.5 of that certain Installment Purchase Agreement, dated as of June 1, 2016 (the "Installment Purchase Agreement"), by and between the District and the El Dorado Irrigation District Financing Corporation, the undersigned hereby requests the Director of Finance and Management Services of the District to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the District and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final; and

(v) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

EL DORADO IRRIGATION DISTRICT

---

General Manager

EXHIBIT A

ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
_____			_____
_____			_____
_____			_____
_____			_____
_____			_____

**ASSIGNMENT AGREEMENT**

by and between

**EL DORADO IRRIGATION DISTRICT FINANCING CORPORATION**

and

**MUFG UNION BANK, N.A.,**  
as Trustee

**Dated as of June 1, 2016**

relating to

\$ \_\_\_\_\_

**EL DORADO IRRIGATION DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2016B**

## ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of June 1, 2016 by and between the El Dorado Irrigation District Financing Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") and MUFJ Union Bank, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee");

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

### Section 1. Assignment

The Corporation, for good and valuable consideration in hand received, does hereby sell, assign and transfer to the Trustee without recourse, for the benefit of the owners of the Revenue Certificates of Participation, Series 2016B (the "Certificates"), to be executed and delivered by the Trustee pursuant to the Trust Agreement, dated as of June 1, 2016 (the "Trust Agreement"), by and among the El Dorado Irrigation District (the "District"), the Corporation and the Trustee, all of its rights, title, and interest in the Installment Purchase Agreement, dated as of June 1, 2016 (the "Installment Purchase Agreement"), by and between the District and the Corporation including the right to receive all installment payments from the District under the Installment Purchase Agreement (but not including the right to be indemnified and the right to receive notices pursuant to the Installment Purchase Agreement), together with any and all of the other rights of the Corporation under the Installment Purchase Agreement as may be necessary to enforce payment of such installment payments when due or otherwise to protect the interests of the owners of the Certificates. The assignment herein is absolute and presently effective.

### Section 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the purpose of securing the right assigned to it to receive all such installment payments from the District under the Installment Purchase Agreement and the other rights assigned to it, subject to the terms and provisions of the Trust Agreement, and all such installment payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

### Section 3. Conditions.

This Assignment Agreement shall confer no rights or impose no obligations upon the Trustee beyond those expressly provided in the Trust Agreement. This Assignment Agreement shall constitute a complete assignment by the Corporation of all of its rights under and pursuant to the Installment Purchase Agreement, except as otherwise provided herein.

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

EL DORADO IRRIGATION DISTRICT  
FINANCING CORPORATION

By: \_\_\_\_\_  
Its: President

By: \_\_\_\_\_  
Its: Secretary

MUFG UNION BANK, N.A., as Trustee

By: \_\_\_\_\_  
Its: Authorized Officer

TRUST AGREEMENT

by and among

MUFG UNION BANK, N.A.

as Trustee

and

EL DORADO IRRIGATION DISTRICT FINANCING CORPORATION

as Corporation

and

EL DORADO IRRIGATION DISTRICT

Dated as of June 1, 2016

Relating to

\$\_\_\_\_\_

EL DORADO IRRIGATION DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2016B

# TABLE OF CONTENTS

Page

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION; CONTENTS OF CERTIFICATES AND OPINIONS; RECITALS

Section 1.1	Definitions .....	1
Section 1.2	Rules of Construction .....	8
Section 1.3	Content of Statements and Opinions.....	8
Section 1.4	Recitals.....	8

## ARTICLE II

### CERTIFICATES; TERMS AND PROVISIONS

Section 2.1	Preparation of Certificates .....	9
Section 2.2	Denominations; Medium and Place of Payment; Dating.....	9
Section 2.3	Payment of Principal and Interest with Respect to Certificates.....	9
Section 2.4	Form of Certificates .....	10
Section 2.5	Execution .....	10
Section 2.6	Transfer of Certificates .....	10
Section 2.7	Exchange of Certificates .....	10
Section 2.8	Certificate Registration Books.....	10
Section 2.9	Certificates Mutilated, Lost, Destroyed or Stolen .....	11
Section 2.10	Book-Entry System.....	11

## ARTICLE III

### DELIVERY OF CERTIFICATES; DELIVERY COST FUND

Section 3.1	Delivery of Certificates.....	14
Section 3.2	Application of Proceeds of Certificates and Certain Other Moneys.....	14
Section 3.3	Validity of Certificates.....	14
Section 3.4	Delivery Cost Fund .....	14

## ARTICLE IV

### PREPAYMENT OF CERTIFICATES

Section 4.1	Terms of Prepayment.....	15
Section 4.2	Selection of Certificates for Prepayment .....	15
Section 4.3	Notice of Prepayment .....	16
Section 4.4	Partial Prepayment of Certificate.....	16
Section 4.5	Effect of Prepayment .....	16

ARTICLE V

INSTALLMENT PAYMENTS

Section 5.1 Pledge and Deposit of Installment Payments..... 16  
Section 5.2 Certificate Payment Fund ..... 17  
Section 5.3 Investment of Moneys in Special Funds ..... 18  
Section 5.4 Reserve Fund ..... 19  
Section 5.5 Pledge of Moneys in Funds ..... 19  
Section 5.6 Rebate Fund ..... 19  
Section 5.7 Claims upon the Insurance Policy and Payments by and to the Insurer ..... 20  
Section 5.8 Payments by the Insurer as a Result of Nonpayment ..... 20

ARTICLE VI

COVENANTS

Section 6.1 Corporation and District to Perform Under Installment Purchase Agreement ..... 21  
Section 6.2 Budgets ..... 21  
Section 6.3 Tax Covenants ..... 21  
Section 6.4 Accounting Records and Reports..... 22  
Section 6.5 Compliance with Trust Agreement..... 22  
Section 6.6 Observance of Laws and Regulations..... 23  
Section 6.7 Compliance with Contracts..... 23  
Section 6.8 Prosecution and Defense of Suits ..... 23  
Section 6.9 Recordation and Filing..... 23  
Section 6.10 Eminent Domain ..... 24  
Section 6.11 Further Assurances ..... 24

ARTICLE VII

DEFAULT AND LIMITATION OF LIABILITY

Section 7.1 Notice of Non-Payment ..... 24  
Section 7.2 Action on Default or Termination ..... 24  
Section 7.3 Other Remedies of the Trustee ..... 25  
Section 7.4 Non-Waiver ..... 25  
Section 7.5 Remedies Not Exclusive ..... 25  
Section 7.6 No Obligation by the District to Owners ..... 25  
Section 7.7 Trustee Appointed Agent for Certificate-owners: Direction of Proceedings ..... 25  
Section 7.8 Power of Trustee to Control Proceedings ..... 26  
Section 7.9 Limitation on Certificate-Owners’ Right to Sue..... 26  
Section 7.10 No Obligation with Respect to Performance by Trustee ..... 26  
Section 7.11 No Liability to Owners for Payment..... 27  
Section 7.12 No Responsibility for Sufficiency ..... 27  
Section 7.13 Indemnification of Trustee..... 27  
Section 7.14 Insurer Rights..... 27



ARTICLE VIII

THE TRUSTEE

Section 8.1 Employment of Trustee ..... 27  
Section 8.2 Acceptance of Employment ..... 28  
Section 8.3 Trustee: Duties, Removal and Resignation..... 28  
Section 8.4 Compensation of the Trustee ..... 28  
Section 8.5 Protection of the Trustee..... 28  
Section 8.6 Merger or Consolidation ..... 30  
Section 8.7 Notice to Insurer by Trustee ..... 30

ARTICLE IX

AMENDMENT OF TRUST AGREEMENT

Section 9.1 Amendments Permitted..... 31  
Section 9.2 Endorsement or Replacement of Certificates After Amendment or  
Supplement ..... 31  
Section 9.3 Amendment of Particular Certificates ..... 32  
Section 9.4 Effect of Insurance Policy..... 32

ARTICLE X

DEFEASANCE

Section 10.1 Discharge of Trust Agreement..... 32  
Section 10.2 Deposit of Money or Securities with Trustee ..... 32  
Section 10.3 Unclaimed Moneys ..... 33

ARTICLE XI

MISCELLANEOUS

Section 11.1 Benefits of Trust Agreement Limited to Parties ..... 33  
Section 11.2 Successor Deemed Included in all References to Predecessor ..... 34  
Section 11.3 Execution of Documents by Owners ..... 34  
Section 11.4 Disqualified Certificates ..... 34  
Section 11.5 Waiver of Personal Liability..... 34  
Section 11.6 Destruction of Certificates ..... 34  
Section 11.7 Headings ..... 35  
Section 11.8 Funds and Accounts..... 35  
Section 11.9 Partial Invalidity ..... 35  
Section 11.10 California Law ..... 35  
Section 11.11 Notices ..... 35  
Section 11.12 Execution in Counterparts ..... 36  
Section 11.13 Business Day..... 36  
Section 11.14 Insurer as Third Party Beneficiary ..... 36  
Section 11.15 Impairment of Insurer’s Rights..... 36

Section 11.16	Insurer Consideration.....	36
Section 11.17	Amounts Paid by Insurer .....	36
Section 11.18	Covenant to Preserve Priority .....	37
Section 11.19	Subrogation and Survival of Obligations.....	37
Section 11.20	Additional Information .....	37
EXHIBIT A	FORM OF CERTIFICATE OF PARTICIPATION .....	A-1

## TRUST AGREEMENT

THIS TRUST AGREEMENT, made and entered into as of June 1, 2016 (the “Agreement”), by and among MUFG UNION BANK, N.A., as trustee (the “Trustee”), a national banking association duly organized and existing under the laws of the United States of America, and EL DORADO IRRIGATION DISTRICT FINANCING CORPORATION, as seller, hereinafter defined, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), and EL DORADO IRRIGATION DISTRICT, as purchaser, an irrigation district duly organized and existing under the laws of the State of California (the “District”);

### WITNESSETH:

In consideration of the mutual covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

### ARTICLE I

#### DEFINITIONS; RULES OF CONSTRUCTION; CONTENTS OF CERTIFICATES AND OPINIONS; RECITALS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Installment Purchase Agreement:

Agreement. The term “Agreement” means this Trust Agreement, as originally executed or as it may from time to time be amended or supplemented as provided for herein.

Certificate Payment Fund. The term “Certificate Payment Fund” means the fund by that name established in Section 5.2 hereof.

Certificate Proceeds Fund. The term “Certificate Proceeds Fund” means the fund by that name established pursuant to Section 3.2.

Certificates. The term “Certificates” means the certificates of participation executed and delivered by the Trustee pursuant to this Agreement.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended.

Delivery Cost Fund. The term “Delivery Cost Fund” means the fund by that name established in Section 3.4 hereof.

Delivery Costs. The term “Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the Certificates, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and

counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees, fees and charges for preparation, execution and safekeeping of the Certificates and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

Depository or DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as Securities Depository for the Certificates.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee and as the Trustee may select.

Installment Payments. The term “Installment Payments” means the installment payments payable by the District pursuant to the Installment Purchase Agreement and in the amounts and at the times set forth in the Installment Purchase Agreement.

Installment Payment Date. The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the District pursuant to the Installment Purchase Agreement.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of June 1, 2016, by and between the District and the Corporation, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Interest Fund. The term “Interest Fund” means the fund by that name established in Section 5.2 hereof.

Insurance Policy. The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest with respect to the Certificates when due.

Insurer. The term “Insurer” means \_\_\_\_\_, or any successor thereto or assignee thereof.

Investment Agreement. The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated, at the time of issuance, at least “AA” and “Aa” by S&P and Moody’s, respectively.

Letter of Representations. The term “Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates setting forth the basis on which the Depository serves as depository for such book-entry certificates, as originally executed or as it may be supplemented or revised or replaced by a letter from the District delivered to and accepted by the Depository.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., or any successor thereto.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

Office of the Trustee. The term “Office of the Trustee” means the principal corporate trust office of the Trustee in San Francisco, California, provided that for purposes of payment, prepayment, exchange, transfer, surrender and cancellation of Certificates such term means the principal corporate trust office of the Trustee in Los Angeles, California or such other office as the Trustee may from time to time designate in writing to the District, the Corporation and the Owners.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 11.4) all Certificates theretofore, or thereupon being, executed and delivered by the Trustee under the Agreement except: (1) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates paid or deemed to have been paid within the meaning of Section 10.1; and (3) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.10.

Owner; Certificate Owner. The term “Owner” or “Certificate Owner,” whenever used herein with respect to a Certificate, means the person in whose name the ownership of such Certificate is registered.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as Securities Depository.

Payment Dates; Payment Date. The term “Payment Dates” means September 1, 2016 and each March 1 and September 1 thereafter and any date on which the unpaid Installment Payments are declared to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with Section 8.1 of the Installment Purchase Agreement.

Permitted Investments. The term “Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the District:

(a) Direct obligations of the United States (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.

(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 (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”)  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations (not acceptable for  
certain cash-flow sensitive issues)
7. United States Maritime Administration  
Guaranteed Title XI financing
8. United States Department of Housing and Urban Development  
 (“HUD”)  
Project Notes  
Local Authority Bonds  
New Communities Debentures  
United States government guaranteed debentures  
United States Public Housing Notes and Bonds  
United States 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 United States 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”)  
Participation Certificates  
Senior debt obligations
3. Federal National Mortgage Association (“FNMA”)  
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (“SLMA”)  
Senior debt obligations
5. Resolution Funding Corporation obligations
6. Farm Credit System  
Consolidated system-wide bonds and notes

(d) Money market mutual 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 or any of its affiliates (including any holding

company, subsidiaries, or other affiliates) provides investment advisory or other management services, provided such funds satisfy the criteria contained in this Agreement.

(e) Certificates of deposit secured at all times by collateral described in clauses (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. 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 (including those of the Trustee and its affiliates) which are fully insured by FDIC, or secured at all times by collateral described in clauses (a) and/or (b) above.

(g) Investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements.

(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 assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank (including those of the Trustee and its affiliates) 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.

(k) Repurchase agreements for 30 days or less must follow the following criteria. Repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; and:

1. Repurchase agreements must be between the municipal entity and a dealer bank or securities firm;

A. Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and Moody's; or

B. Banks rated "A" or above by S&P and Moody's.

2. The written repurchase agreements contract must include the following:

A. Securities which are acceptable for transfer are:

(1) Direct United States governments, or

(2) Federal agencies backed by the full faith and credit of the United States government (and FNMA & FHLMC)

B. The term of a repurchase agreement may be up to 30 days

C. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

D. Valuation of Collateral

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

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm 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 municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(3) A legal opinion must be delivered to the municipal entity to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds.

(l) Any state administered pool investment fund in which the District is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State.

(m) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s, S&P or any successors thereto; or

(2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraphs (a) or (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

Prepayment Fund. The term “Prepayment Fund” means the fund by that name established in Section 5.2 hereof.



Prepayment Price. The term “Prepayment Price” means the principal amount with respect to any Certificate (or portion thereof ) plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Certificate and this Agreement.

Principal Fund. The term “Principal Fund” means the fund by that name established in Section 5.2 hereof.

Rebate Fund. The term “Rebate Fund” means the fund by that name established for the Certificates pursuant to Section 5.6.

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

Reserve Fund. The term “Reserve Fund” means the fund by that name established pursuant to Section 5.4.

Reserve Surety Policy. The term “Reserve Surety Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer and deposited in the Reserve Fund to satisfy the Reserve Requirement.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District deliver to the Trustee.

Special Counsel. The term “Special Counsel” means any attorney at law or firm of attorneys selected by the District, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

Statement of the Corporation or District. The term “Statement of the Corporation or District” means a statement signed by or on behalf of (i) the Corporation by its President or a Vice President or (ii) the District by the President and by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf. If and to the extent required by the provisions of Section 1.3, each Statement of the Corporation or District shall include the statements provided for in Section 1.3.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the Certificates executed by and delivered to the District on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means MUFG Union Bank, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder, as provided in Section 8.3.

Section 1.2 Rules of Construction. Words of any gender shall be deemed and construed to include all genders, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa.

Section 1.3 Content of Statements and Opinions. Every statement or opinion with respect to compliance with a condition or covenant provided for in this Agreement, including each Statement of the Corporation, shall include (a) a statement that the person or persons making or giving such statement or opinion 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 statement or opinion 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 statement or opinion made or given by an officer of the Corporation may be based, insofar as it relates to legal or accounting matters, upon a statement or opinion of or representations by counsel, accountants or consultants, unless such officer knows, or in the exercise of reasonable care should have known, that the statement or opinion or representations with respect to the matters upon which his statement or opinion may be based, as aforesaid, are erroneous. Any such statement or opinion made or given by counsel, accountants or consultants may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the Corporation, or upon the statement or opinion of or representations by an officer or officers of the Corporation, unless such counsel, accountant or consultant knows, or in the exercise of reasonable care should have known, that the statement or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous.

Section 1.4 Recitals.

(a) Installment Purchase Agreement. The Corporation has agreed to assist the District in financing the Project.

(b) Installment Payments. Under the Installment Purchase Agreement, the District is obligated to pay to the Corporation or its assigns Installment Payments for the purchase of the Project.

(c) Assignment Agreement. For the purpose of obtaining the moneys required to be deposited by the Corporation with the Trustee, and for the purpose of securing the obligations of the Corporation hereunder, the Corporation has assigned and transferred certain of its rights under the Installment Purchase Agreement to the Trustee, pursuant to the Assignment Agreement; and in consideration of such assignment and the execution of this Agreement, the Trustee has agreed to execute and deliver certificates of participation, each evidencing an interest in the Installment Payments in an aggregate amount equal to the aggregate principal amount of certificates of participation so executed and delivered.

(d) Conditions Precedent Satisfied. The District and the Corporation hereby certify that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Agreement have happened

and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly empowered to execute and enter into this Agreement.

## ARTICLE II

### CERTIFICATES; TERMS AND PROVISIONS

Section 2.1 Preparation of Certificates. The Trustee is hereby authorized to execute certificates of participation, to be denominated “Revenue Certificates of Participation, Series 2016B” in an aggregate principal amount of \$\_\_\_\_\_ evidencing undivided interests in Installment Payments to be paid by the District under the Installment Purchase Agreement.

Section 2.2 Denominations; Medium and Place of Payment; Dating. The Certificates shall be delivered in the form of fully registered Certificates and in the denomination of \$5,000 each or any integral multiple thereof; provided that no Certificate shall have principal represented thereby maturing in more than one year.

The principal and Prepayment Price with respect to the Certificates shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Trustee. Interest with respect to the Certificates shall be payable by check or draft of the Trustee mailed by first class mail on each Payment Date of the Certificates to the respective Certificate Owners of record thereof as of the close of business on the Record Date at the addresses shown on the books required to be kept pursuant to Section 2.8 or, upon the written request received by the Trustee of an Owner of at least \$1,000,000 in aggregate principal amount of the Certificates, by wire transfer of immediately available funds to an account in the United States designated by such Owner prior to the applicable Record Date.

The Certificates shall be dated as of the date of initial delivery thereof. Interest with respect to the Certificates shall be payable from the Payment Date preceding their date of execution, unless such date shall be after a Record Date and on or before the succeeding Payment Date, in which case interest shall be payable from such Payment Date or unless such date shall be on or before the first Record Date, in which case interest shall be payable as of the date of initial delivery thereof provided, however, that if, as shown by the records of the Trustee, interest represented by the Certificates shall be in default, Certificates executed in exchange for Certificates surrendered for transfer or exchange shall represent interest from the last date to which interest has been paid in full or duly provided for with respect to the Certificates, or, if no interest has been paid or duly provided for with respect to the Certificates, as of the date of initial delivery thereof.

#### Section 2.3 Payment of Principal and Interest with Respect to Certificates.

(a) The Certificates shall become payable on March 1 in the years and in the amounts and with an interest component as provided in subsection (b) below at the rates, as follows:

<i>Payment Date</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
---------------------	-------------------------	----------------------

\$

Principal or Prepayment Price with respect to the Certificates at maturity or prepayment thereof shall, to the extent of the aggregate principal amount stated upon the Certificates, represent the sum of those portions of the Installment Payments designated as principal coming due on the Installment Payment Dates immediately preceding March 1 in each year. Interest with respect to the Certificates shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(b) Interest with respect to the Certificates shall be payable on each Interest Payment Date to and including the date of maturity or prior prepayment. Said interest shall represent the sum of those portions of the Installment Payments designated as interest coming due on the Installment Payment Dates, at the rates set forth in subsection (a) above.

Section 2.4 Form of Certificates. The Certificates and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Agreement.

Section 2.5 Execution. The Certificates shall be executed by and in the name of the Trustee, as trustee under this Agreement, by the manual signature of an authorized officer or signatory of the Trustee.

Section 2.6 Transfer of Certificates. Any Certificate may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.8, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Certificate for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates of the same maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Certificate executed and delivered upon any transfer. The Trustee may require the payment by any Certificate Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Certificates the Trustee shall cancel and destroy the Certificates it has received.

Section 2.7 Exchange of Certificates. Certificates may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may charge a sum for each new Certificate executed and delivered upon any exchange except in the case of any exchange of temporary Certificates for definitive Certificates. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Certificates the Trustee shall cancel and destroy the Certificates it has received.

The Trustee shall not be required to register the exchange, or transfer pursuant to Section 2.6 hereof, of any Certificate (i) within 15 days preceding selection of Certificates for prepayment or (ii) selected for prepayment.

Section 2.8 Certificate Registration Books. The Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Certificates, which shall upon reasonable prior notice and at all reasonable times be open to inspection by the Corporation or the District; 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 books, Certificates as hereinbefore provided.

The person in whose name any Certificate shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest with respect to and principal of, and Prepayment Price represented by such Certificate shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Certificate to the extent of the sum or sums so paid.

Section 2.9 Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee shall execute and deliver a new Certificate of like tenor, maturity and principal amount in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated.

Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Corporation and the District, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity, and numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed under this Section and of the expenses which may be incurred by the Trustee under this Section. Any Certificate executed under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Agreement with all other Certificates secured by this Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for prepayment, the Trustee may make payment of such Certificate upon receipt of indemnity satisfactory to the Trustee.

Section 2.10 Book-Entry System.

(a) Election of Book-Entry System. Prior to the execution and delivery of the Certificates, the District may provide that such Certificates shall be initially executed and delivered as book-entry Certificates. If the District shall elect to deliver any Certificates in book-entry form, then the District shall cause the delivery of a separate single fully registered certificate (which may be typewritten) for each maturity date of such Certificates in an authorized denomination corresponding to that total principal amount of the Certificates designated to mature on such date. Upon initial execution and delivery, the ownership of each such Certificate shall be registered in the Certificate registration books in the name of the Nominee, as nominee of the Depository and ownership of the Certificates, or any portion thereof may not thereafter be transferred except as provided in Section 2.10(e).

With respect to book-entry Certificates, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant

holds an interest in such book-entry Certificates. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Certificates, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Certificate registration books, of any notice with respect to book-entry Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Certificates to be prepaid in the event the District prepays the Certificates in part, or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry Certificates. The District and the Trustee may treat and consider the person in whose name each book-entry Certificate is registered in the Certificate registration books as the absolute Owner of such book-entry Certificate for the purpose of payment of principal, premium, if any, and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest with respect to the Certificates only to or upon the order of the respective Owner, as shown in the Certificate register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest evidenced and represented by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate registration books, shall receive a Certificate evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and represented by the Certificates. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Agreement shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Certificates for the Depository's book-entry system, if no Letter of Representations has been filed previously, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District any obligation whatsoever with respect to persons having interests in such book-entry Certificates other than the Owners, as shown on the Certificate registration books. By executing a Letter of Representations, the District shall agree to take all action necessary at all times so that the District will be in compliance with all representations of the District in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District shall take such other actions, not inconsistent with this Agreement, as are reasonably necessary to qualify Book-Entry Certificates for the Depository's book-entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for book-entry Certificates, or (ii) the District determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Certificates or the District, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each of the maturity dates of such book-entry Certificates, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in such

Certificate register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of Sections 2.6 and 2.7 hereof.

(d) Payments To Depository. Notwithstanding any other provision of this Agreement to the contrary, so long as all Outstanding Certificates are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, prepayment premium, if any, and interest with respect to such Certificate and all notices with respect to such Certificate shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of Certificates to Substitute Depository.

(i) The Certificates shall be initially executed and delivered as provided in Section 2.1 hereof. Registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.10(e) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.10(e), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee designating the Substitute Depository, a single new Certificate, which the District shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Certificates then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.10(e), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee, new Certificates, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, subject to the limitations of Section 2.1 hereof, provided that the Trustee shall not be required to deliver such new Certificates within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(iii) In the case of a partial prepayment or an advance refunding of any Certificates evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Certificates indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes of this Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Certificates. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Certificates, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Certificates.

### ARTICLE III

#### DELIVERY OF CERTIFICATES; DELIVERY COST FUND

Section 3.1 Delivery of Certificates. The Trustee is hereby authorized to execute and deliver Certificates in an aggregate principal amount of \$\_\_\_\_\_ upon the Written Order of the District.

Section 3.2 Application of Proceeds of Certificates and Certain Other Moneys. The proceeds received from the sale of the Certificates (other than \$\_\_\_\_\_ paid by the initial purchasers of the Certificates directly to the Insurer) shall be deposited with the Trustee in the Certificate Proceeds Fund, which the Trustee shall establish, maintain and hold in trust as a separate fund and shall further deposit \$\_\_\_\_\_ into the Delivery Cost Fund and transfer \$\_\_\_\_\_ to, or at the direction of, the District for deposit in the Acquisition Fund to pay the cost of the acquisition of the Project. The Trustee may establish temporary funds or accounts in its records in order to record and facilitate such deposits and transfer. The Trustee shall deposit the Reserve Surety Policy in the Reserve Fund.

Section 3.3 Validity of Certificates. The validity of the execution and delivery of the Certificates is not dependent on and shall not be affected in any way by any proceedings taken by the District, the Corporation or the Trustee with respect to or in connection with the Installment Purchase Agreement. The recital contained in the Certificates that all acts, conditions and things required by the Constitution and statutes of the State of California and this Agreement to exist, to have happened and to have been performed precedent to and in the delivery thereof do exist, have happened and have been performed in due time, form and manner as required by law shall be conclusive evidence of their validity and of compliance with the provisions of law in their delivery.

Section 3.4 Delivery Cost Fund. There is hereby established with the Trustee the Delivery Cost Fund which the Trustee shall establish and maintain and hold in trust separate and apart from other funds held by it. The moneys in the Delivery Cost Fund shall be used and withdrawn by the Trustee to pay Delivery Costs upon submission of Written Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for



which the obligation was incurred, that such payment is a proper charge against said fund and that payment for such charge has not previously been made. On the six month anniversary of the date of this Agreement, or upon the earlier Written Request of the District, all amounts remaining in the Delivery Cost Fund shall be transferred by the Trustee for deposit in the Certificate Payment Fund.

#### ARTICLE IV

#### PREPAYMENT OF CERTIFICATES

##### Section 4.1 Terms of Prepayment.

(a) The Certificates shall be subject to extraordinary prepayment prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid Installment Payments made by the District from Net Proceeds, upon the terms and conditions of, and as provided for in, Section 6.10 of this Agreement, and Sections 6.9 and 6.15 of the Installment Purchase Agreement, at a Prepayment Price equal to the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

(b) The Certificates with stated maturities on March 1, 20\_\_ are subject to prepayment prior to such stated maturity, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee not more than 60 days nor less than 20 days prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 20\_\_, from amounts prepaid by the District pursuant to the Installment Purchase Agreement at a Prepayment Price equal to the principal amount of such Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment without premium.

(c) The Certificates with stated maturities on March 1, 20\_\_ are subject to mandatory sinking fund prepayment prior to such stated maturity, as a whole or in part on each March 1 on and after March 1, 20\_\_ in integral multiples of \$5,000 solely from scheduled Installment Payments paid by the District under the Installment Purchase Agreement, at a prepayment price of the principal amount thereof (together with accrued interest evidenced to the date fixed for prepayment), without premium, in accordance with the following schedule:

<i>Prepayment Date</i> <i>(March 1)</i>	<i>Principal</i> <i>Amount</i>
--	-----------------------------------

---

\* Final Maturity.

Section 4.2 Selection of Certificates for Prepayment. Whenever less than all of the Certificates are called for prepayment, the Trustee shall select the Certificates or portions thereof to be prepaid from the Outstanding Certificates in accordance with Section 4.01 hereof and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy). The Trustee shall promptly notify the District in writing of the numbers of the Certificates or portions thereof so selected for prepayment.

Section 4.3 Notice of Prepayment. Notice of prepayment shall be mailed, first class postage prepaid, to the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books and to the Information Services and by registered or certified or overnight mail to the Securities Depositories at least 30 days but not more than 60 days prior to the prepayment date.

Each notice of prepayment shall state the date of notice, the prepayment date, the place or places of prepayment and the Prepayment Price, shall designate the maturities, CUSIP numbers, if any, and, if less than all Certificates of any such maturity are to be prepaid, the serial numbers of the Certificates of such maturity to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that on said date there will become due and payable with respect to each of said Certificates the Prepayment Price thereof or of said specified portion of the principal represented thereby in the case of a Certificate to be prepaid in part only, together with interest accrued with respect thereto to the prepayment date, and that (provided that moneys for prepayment have been deposited with the Trustee) from and after such prepayment date interest with respect thereto shall cease to accrue, and shall require that such Certificates be then surrendered to the Trustee. Any defect in the notice or the mailing thereof will not affect the validity of the prepayment of any Certificate.

Notice of prepayment of Certificates shall be given by the Trustee on behalf of and at the expense of the District.

Section 4.4 Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unpaid portion of the Certificate surrendered and of the same maturity.

Section 4.5 Effect of Prepayment. When notice of prepayment has been duly given as aforesaid, and moneys for payment of the Prepayment Price of, together with interest accrued to the prepayment date with respect to, the Certificates (or portions thereof) so called for prepayment are held by the Trustee, the Certificates (or portions thereof) so called for prepayment shall, on the prepayment date designated in such notice, become due and payable at the Prepayment Price specified in such notice and interest accrued thereon to the prepayment date; and from and after the prepayment date interest represented by the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Agreement, and the Owners of said Certificates shall have no rights in respect thereof except to receive payment of said Prepayment Price and accrued interest.

All Certificates prepaid pursuant to the provisions of this Article shall be canceled upon surrender thereof and destroyed by the Trustee.

## ARTICLE V

### INSTALLMENT PAYMENTS

Section 5.1 Pledge and Deposit of Installment Payments. The Installment Payments are hereby irrevocably pledged to, and shall be used for, the punctual payment of the Certificates, and the

Installment Payments shall not be used for any other purpose while any of the Certificates remain Outstanding. This pledge shall constitute a first and exclusive lien on the Installment Payments in accordance with the terms hereof.

All Installment Payments to which the Corporation may at any time be entitled (including income or profit from investments pursuant to Section 5.3) shall be paid directly to the Trustee pursuant to the terms of the Assignment Agreement, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and the Trustee shall deposit all Installment Payments as and when received in the Certificate Payment Fund. All moneys at any time deposited in the Certificate Payment Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the Certificates, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes herein set forth.

Section 5.2 Certificate Payment Fund. There is hereby established with the Trustee the Certificate Payment Fund and the Reserve Fund each of which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any Installment Payments remain unpaid. All moneys on deposit in the Certificate Payment Fund (including income or profit from investments) shall be retained therein except as expressly provided herein.

The Trustee shall transfer from the Certificate Payment Fund the following amounts at the times and in the manner hereinafter provided, and shall deposit such amounts in one or more of the following respective funds, each of which the Trustee shall establish and maintain and hold in trust separate and apart from other funds held by it, and each of which shall be disbursed and applied only as hereinafter authorized. Such amounts shall be so transferred to and deposited in the following respective funds in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

(a) Interest Fund. The Trustee, on the last Business Day before each Interest Payment Date (commencing on the last Business Day of August, 2016), shall deposit in the Interest Fund an amount representing the portion of the Installment Payments designated as interest coming due on the next succeeding March 1 or September 1, as the case may be. No deposit need be made into the Interest Fund so long as there shall be in such fund moneys sufficient to pay the interest portion of Certificates then Outstanding due, if any, on the next March 1 or September 1, as the case may be.

Except as hereinafter provided, moneys in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest with respect to the Certificates when due and payable (including accrued interest with respect to any Certificates prepaid prior to maturity pursuant to this Agreement).

(b) Principal Fund. The Trustee, on the last Business Day before each March 1 (commencing on the last Business Day of February, 2017), shall deposit in the Principal Fund an amount equal to the principal coming due with respect to the Certificates on the next succeeding March 1. No deposit need be made into the Principal Fund so long as there shall be in such fund moneys sufficient to pay the portion of all Certificates then Outstanding designated as principal and coming due on the next succeeding March 1.

Except as hereinafter provided, moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal with respect to the Certificates when due and payable.

(c) Prepayment Fund. Moneys to be used for prepayment pursuant to Section 4.1 hereof and paid by the District pursuant to Section 7.1 of the Installment Purchase Agreement shall be transferred by the Trustee from the Certificate Payment Fund and deposited in the Prepayment Fund on the prepayment date specified in the Written Request of the District filed with the Trustee pursuant to Section 7.2 of the Installment Purchase Agreement. Said moneys shall be set aside in the Prepayment Fund solely for the purpose of prepaying the Certificates in advance of their respective stated maturities and shall be applied on or after the date specified for prepayment pursuant to Section 4.1 hereof to the payment of the Prepayment Price with respect to the Certificates to be prepaid upon presentation and surrender of such Certificates.

Section 5.3 Investment of Moneys in Special Funds. Any moneys in the Delivery Cost Fund, the Certificate Payment Fund, the Interest Fund, the Principal Fund, the Reserve Fund and the Prepayment Fund shall be invested by the District or, upon the Written Request of the District, by the Trustee, in Permitted Investments which will mature on or before the dates when such moneys are scheduled to be needed for payment from such fund. Securities acquired as an investment of moneys in a fund shall be credited to such fund.

In the absence of written investment direction from the District, the Trustee shall invest moneys held by it solely in Permitted Investments specified in clause (7) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Except as otherwise expressly provided herein, investments shall be valued not less often than annually, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding annual valuation date. The Trustee shall also value investments hereunder in connection with the refunding or prepayment of the Certificates as directed in a Written Request of the District.

Any interest, profit or other income on such investments will be deposited when received by the Trustee in the Reserve Fund to the extent the amount available and contained therein is less than the Reserve Requirement and thereafter in the Certificate Payment Fund established hereunder.

Subject to the further provisions of Section 6.3 hereof, the Trustee may sell or present for prepayment any obligations so purchased at the direction of the District whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such investment. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee therefor. The Trustee may commingle any of the funds or accounts established pursuant to this Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling.

Section 5.4 Reserve Fund. The Trustee shall establish and hold in trust the Reserve Fund. The District shall cause the Reserve Surety Policy to be deposited in the Reserve Fund and the Trustee shall draw upon the Reserve Surety Policy in accordance with this Section 5.4.

As long as the Reserve Surety Policy shall be in full force and effect, and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the District and Trustee agree to comply with the following provisions:

[TO COME FROM INSURER]

Section 5.5 Pledge of Moneys in Funds. All amounts on deposit in the Delivery Cost Fund, the Certificate Payment Fund, the Interest Fund, the Principal Fund, the Prepayment Fund and the Reserve Fund are hereby irrevocably pledged to the Owners of the Certificates as provided herein. This pledge shall constitute a first and exclusive lien on the Delivery Cost Fund, the Certificate Payment Fund, the Interest Fund, the Principal Fund, the Prepayment Fund and the Reserve Fund for the benefit of the Owners of the Certificates in accordance with the terms hereof and of the Installment Purchase Agreement.

Section 5.6 Rebate Fund.

(a) Establishment. The Trustee shall establish a separate account, as necessary, for the Certificates designated the "Rebate Fund." Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Certificates shall be governed by this Section and the Tax Certificate for the Certificates, unless and to the extent that the District delivers to the Trustee an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates will not be adversely affected if such requirements are not satisfied. The Trustee shall be deemed conclusively to have complied with the provisions of this Section and the Tax Certificate if the Trustee follows the directions of the District and the Trustee shall have no independent responsibility to or liability resulting from failure of the Trustee to enforce compliance by the District with the Tax Certificate or the provisions of this Section.

(i) Annual Computation. Within 55 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Certificate Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Certificate Year, upon the written Request of the District, an amount shall be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the District in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the District, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Revenue Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the District, to the United States Treasury, out of amounts in the Rebate Account,

(A) Not later than 60 days after the end of (X) the fifth Certificate Year, and (Y) each applicable fifth Certificate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Certificate Year; and

(B) Not later than 60 days after the payment of all the Certificates, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Certificate Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Certificates and the payments described in subsection (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Certificates.

Section 5.7 Claims upon the Insurance Policy and Payments by and to the Insurer.

[TO COME FROM INSURER]

Section 5.8 Payments by the Insurer as a Result of Nonpayment. The Insurer shall be entitled to pay principal or interest with respect to the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) and any amounts due with respect to the Certificates as a result of acceleration of the maturity thereof in accordance with this Agreement, whether or not the Insurer has received a

Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

## ARTICLE VI

### COVENANTS

Section 6.1 Corporation and District to Perform Under Installment Purchase Agreement. The Corporation and District covenant and agree with the Owners of the Certificates to perform all obligations and duties imposed on them under the Installment Purchase Agreement and, together with the Trustee, to enforce such Installment Purchase Agreement against the other party thereto in accordance with its terms.

The Corporation and the District will in all respects promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Installment Purchase Agreement to be kept, performed and complied with by it.

The Corporation and the District agree not to do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Purchase Agreement.

Section 6.2 Budgets. On or prior to the fifteenth day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of Installment Payments are fully adequate for the payment of all Installment Payments due under the Installment Purchase Agreement for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of Installment Payments due under the Installment Purchase Agreement, the District will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of Installment Payments due under the Installment Purchase Agreement and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Section 6.3 Tax Covenants. Notwithstanding any other provision of this Agreement, and except as may otherwise be approved by an opinion of Special Counsel that the exclusion from gross income of the portion of interest with respect to the Certificates will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the Certificates and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Certificates or of any other moneys or property which would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code necessary to preserve the exclusion of interest with respect to the Certificates pursuant to Section 103(a) of the Code.

(b) Arbitrage. The District will make no use of the proceeds of the Certificates or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District will make no use of the proceeds of the Certificates or take or omit to take any action that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) Hedge Bonds. The District will make no use of the proceeds of the Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Certificates to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest with respect to the Certificates for federal income tax purposes.

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the execution and delivery of the Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing other Bonds or Contracts the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.4 Accounting Records and Reports. The Trustee shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions made by it relating to the receipts, disbursements, allocation and application of the Installment Payments, and such books shall be available upon reasonable prior notice for inspection by the District and by any Owner of Certificates, or his agent or representative, at reasonable hours and under reasonable conditions. Each month, so long as the Certificates are Outstanding, the Trustee shall furnish to the District a statement covering receipts, disbursements, allocation and application of amounts on deposit in the funds and accounts created hereunder held by it, which include detail for all investment transactions effected by the Trustee and brokers selected by the District. Upon the District’s election, such statements will be delivered via the Trustee’s Online Trust and Custody service and paper statements will be provided only upon request. The District acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grants the District the right to receive brokerage confirmations of security transactions as such transactions occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request at no additional cost and other trade confirmations may be obtained from the applicable broker.

Section 6.5 Compliance with Trust Agreement. The Trustee will not execute, or permit to be executed, any Certificates in any manner other than in accordance with the provisions of this Agreement, and the District will not suffer or permit any default by it to occur under this Agreement, but will faithfully observe and perform all the covenants, conditions and requirements hereof.



Section 6.6 Observance of Laws and Regulations. To the extent necessary to assure their performance hereunder, the Corporation and the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Corporation or the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.7 Compliance with Contracts. The District shall comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the Project by the District, and all other contracts and agreements affecting or involving the Project to the extent that the District is a party thereto.

Section 6.8 Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Revenues or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors), the Corporation and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or the Corporation upon any claim arising out of the receipt, application or disbursement of any of the Installment Payments or involving the rights of the Trustee or the Corporation under this Agreement; provided that the Trustee or the Corporation at such party's election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee or the Corporation against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the Trustee against any attorneys' fees or other expenses which the Trustee may incur in connection with any litigation (including pre-litigation activities) to which it may become a party by reason of serving as Trustee under this Agreement. The District shall promptly reimburse the Corporation or Trustee in the full amount of any attorneys' fees or other expenses which the Corporation or the Trustee may incur in litigation or otherwise in order to enforce such party's rights under this Agreement or the Certificates, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.9 Recordation and Filing. The Trustee, upon written direction of the District, shall record, register, file, renew, refile and re-record all such documents, including financing statements, as may be required by law in order to maintain a security interest in this Agreement and the Assignment Agreement, all in such manner, at such times and in such places as may be required by, and to the extent permitted by, law in order fully to preserve, protect and perfect the security of the Certificate Owners and the rights and security interests of the Trustee. The Trustee, upon written direction of the District, shall (subject to Section 8.5) do whatever else may be necessary or be reasonably required in order to perfect and continue the lien of this Agreement and the Assignment Agreement.

Notwithstanding anything to the contrary above, the Trustee shall have no duty or liability whatsoever to monitor or notify any party with respect to the timeliness, sufficiency or validity of any such recording, re-recording, filing, filing of continuation statements and the like with respect to this Agreement; it being expressly understood and agreed that the Trustee's duties under this Section shall be exclusively limited to following the express written filing or recording instructions of the District, from time to time with respect to the above described actions so long as the District shall supply said recording or filing instruments.

Section 6.10 Eminent Domain. If all or any part of the Project shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be applied in the manner specified in Section 6.15 of the Installment Purchase Agreement.

Section 6.11 Further Assurances. Whenever and so often as requested so to do by the Trustee or any Certificate Owner, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Certificate Owners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Agreement.

## ARTICLE VII

### DEFAULT AND LIMITATION OF LIABILITY

Section 7.1 Notice of Non-Payment. In the event of delinquency in the payment of any Installment Payments due by the District pursuant to the Installment Purchase Agreement, the Trustee shall, after one Business Day following the date upon which such delinquent Installment Payment was due, as soon as practicable give written notice of the delinquency and the amount of the delinquency to the District and the Corporation.

Section 7.2 Action on Default or Termination. Upon the occurrence of an Event of Default (as that term is defined in the Installment Purchase Agreement), which event shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of Certificates at the time Outstanding shall be entitled, upon notice in writing to the District, to exercise the remedies provided to the Corporation in the Installment Purchase Agreement.

Upon declaration of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with Section 8.1 of the Installment Purchase Agreement, the Trustee shall apply all moneys received as Installment Payments and all moneys held in any fund or account hereunder to the payment of the entire principal amount of the Certificates and the accrued interest with respect thereto, with interest with respect to the overdue Certificates at the rate or rates of interest or yields-to-maturity applicable to the Certificates if paid in accordance with their terms.

Section 7.3 Other Remedies of the Trustee. The Trustee may:

(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 or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default hereunder to require the District and its directors, officers and employees to account as the trustee of an express trust.

Section 7.4 Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee 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 of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned, the Trustee and the District shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 7.5 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law.

Section 7.6 No Obligation by the District to Owners. Except for the payment of Installment Payments when due in accordance with the Installment Purchase Agreement and the performance of the other covenants and agreements of the District contained in said Installment Purchase Agreement and herein, the District shall have no obligation or liability to the Owners of the Certificates with respect to this Agreement or the execution, delivery or transfer of the Certificates, or the disbursement of Installment Payments to the Owners by the Trustee; provided however that nothing contained in this Section shall affect the rights, duties or obligations of the Trustee expressly set forth herein.

Section 7.7 Trustee Appointed Agent for Certificate-owners: Direction of Proceedings. The Trustee is hereby appointed the agent and attorney of the Owners of all Certificates outstanding hereunder for the purpose of filing any claims relating to the Certificates. The Owners of a majority in aggregate principal amount of the Certificates Outstanding hereunder shall, upon tender to the Trustee of reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such direction, have the right to direct the method and place of conducting all remedial proceedings by the Trustee, provided such direction shall be in accordance with law and the

provisions of this Agreement and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Certificate-owners not parties to such a direction.

Section 7.8 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 a majority in aggregate principal amount of the Certificates then outstanding pursuant to Section 7.7 hereof, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, 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 hereunder, 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 at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 7.9 Limitation on Certificate-Owners' Right to Sue. No Owner of any Certificate executed and delivered hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding 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 reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (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.

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

The right of any Owner of any Certificate to receive payment of the principal of (and premium, if any) and interest with respect to such Certificate, as herein provided, on and after the respective due dates expressed in such Certificate, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or Section 7.10 or any other provision of this Agreement.

Section 7.10 No Obligation with Respect to Performance by Trustee. Neither the District nor the Corporation shall have any obligation or liability to any of the other parties hereto or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Agreement.

Section 7.11 No Liability to Owners for Payment. The Corporation shall not have any obligation or liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the District when due, or with respect to the performance by the District of any other covenant made by it in the Installment Purchase Agreement or herein. Except as provided in this Agreement, the Trustee shall not have any obligation or liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the District when due, or with respect to the performance by the District of any other covenant made by it in the Installment Purchase Agreement or herein.

Section 7.12 No Responsibility for Sufficiency. The Trustee shall not be responsible for the sufficiency of this Agreement, the Installment Purchase Agreement, or of the assignment made to it by the Assignment Agreement of rights to receive Installment Payments pursuant to the Installment Purchase Agreement, or the value of or title to the Project. The Trustee shall not be responsible or liable for selection or liquidation of investments or any loss suffered in connection with any investment of funds made by it under the terms of and in accordance with this Agreement.

Section 7.13 Indemnification of Trustee. The District shall indemnify the Trustee (including all of its employees, officers and directors) and hold it harmless against any loss, liability, expenses or advances, including but not limited to fees and expenses of counsel and other experts, incurred or made without negligence or willful misconduct on the part of the Trustee, (i) in the exercise and performance of any of the powers and duties hereunder or under the Installment Purchase Agreement by the Trustee, (ii) relating to or arising out of the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof, or (iii) arising out of or relating to 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 offering circular utilized in connection with the sale of the Certificates, including the costs and expenses of defending itself against any claim of liability arising under this Agreement. Such indemnity shall survive payment of the Certificates and discharge of this Agreement or resignation or removal of the Trustee.

Section 7.14 Insurer Rights. The Insurer shall be deemed to be the sole holder of the Certificates insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Certificates insured by it are entitled to take pursuant to the Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

## ARTICLE VIII

### THE TRUSTEE

Section 8.1 Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the District hereby agrees to employ the Trustee to receive, hold, invest and disburse the moneys received pursuant to the Installment Purchase Agreement for credit to the various funds and accounts established by this Agreement; to execute, deliver and transfer the Certificates; and to apply and disburse the Installment Payments received from the District to the Owners of Certificates; and to perform certain other functions; all as herein provided and subject to the terms and conditions of this Agreement.

Section 8.2 Acceptance of Employment. In consideration of the compensation herein provided for, the Trustee accepts the employment above referred to subject to the terms and conditions of this Agreement.

Section 8.3 Trustee: Duties, Removal and Resignation. By executing and delivering this Agreement, the Trustee accepts the duties and obligations of the Trustee provided in this Agreement, but only upon the terms and conditions set forth in this Agreement.

The District may, by written request to the Trustee, remove the Trustee and appoint a successor Trustee; provided, however, that if the District is in default under the Installment Purchase Agreement, the Owners of a majority in aggregate principal amount of all Certificates Outstanding may, by written request to the Trustee, remove the Trustee and appoint a successor Trustee. Any such successor shall be a bank or trust company doing business and having a corporate trust office in California, which has (or the parent holding company of which has) a combined capital (exclusive of borrowed capital) and surplus of at least twenty million dollars (\$20,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report 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 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the District and by giving to the Certificate Owners notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of removal, resignation or termination, the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may at the expense of the District petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon written acceptance of appointment by the successor Trustee.

Section 8.4 Compensation of the Trustee. The District shall from time to time, subject to any agreement in effect with the Trustee, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee (including all of its employees, officers and directors) for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. Such compensation and reimbursement shall be paid by the District; provided, however, that the Trustee shall not otherwise have any claims, except in accordance with Section 7.13 hereof and Section 8.2 of the Installment Purchase Agreement, or lien for payment of compensation for its services against any other moneys held by it in the funds or accounts established hereunder but may take whatever legal actions are lawfully available to it directly against the District. The obligations of the District under this Section shall survive resignation or removal of the Trustee and payment of the Certificates and discharge of this Agreement.

Section 8.5 Protection of the Trustee. The Trustee shall be protected and shall incur no liability whatsoever in acting or refraining from acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have

been adopted, executed or delivered by the proper party or pursuant to any of the provisions of this Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at the request of any such person unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the Corporation or the District, with regard to legal questions, 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 in accordance therewith.

Whenever in the administration of its duties under this Agreement, 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) shall be deemed to be conclusively proved and established by a certificate of the Corporation or the District and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Agreement upon the faith thereof, but in its discretion the Trustee may (but shall have no duty), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Certificates provided pursuant to this Agreement, and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to this Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the District, and may act as depository, trustee, or agent for any committee or body of Owners of Certificates or of obligations of the Corporation or the District as freely as if it were not Trustee hereunder.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Agreement or in the performance of its duties hereunder or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

The recitals, statements and representations by the District or the Corporation contained in this Agreement or in the Certificates shall be taken and construed as made by and on the part of the District or Corporation and not by the Trustee and the Trustee does not assume, and shall not have, any responsibility or obligations for the correctness of any thereof.

The Trustee undertakes to perform such duties, and only such duties as are specifically set forth in this Agreement and no implied duties or obligations shall be read into this Agreement against the Trustee.

No provision in this Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the District or the Corporation having any claim against the Trustee arising from this Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District or the Corporation of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Purchase Agreement or this Agreement for the existence, furnishing or use of the Project.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder or under the Installment Purchase Agreement unless and until it shall have actual knowledge thereof or have received notice thereof at its corporate trust office at the address set forth in Section 11.11 hereof. The Trustee shall, during the existence of any Event of Default (which has not been cured) 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 his/her own affairs. The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Agreement, and no implied covenants or duties shall be read into this Agreement against the Trustee.

The Trustee shall not be accountable for the use or application by the District, or the Corporation or any other party of any funds which the Trustee has released in accordance with the terms of this Agreement.

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

Section 8.6 Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under Section 8.3 hereof), shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.7 Notice to Insurer by Trustee. The Trustee shall notify the Insurer of any failure of the District to provide notices, certificates and other information to the Trustee under the transaction documents of which the Trustee has actual or deemed knowledge pursuant to Section 8.5.



## ARTICLE IX

### AMENDMENT OF TRUST AGREEMENT

#### Section 9.1 Amendments Permitted.

(a) This Agreement and the rights and obligations of the District and of the Owners of the Certificates and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 11.4 hereof, and written consent of the Insurer, so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, shall have been filed, provided, however, that no such modification or amendment shall (1) extend the stated maturities of the Certificates, or reduce the rate of interest or yields-to-maturity, as the case may be, represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Certificate so affected, or (2) reduce the aforesaid percentage of Owners of Certificates whose consent is required for the execution of any amendment or modification of this Agreement, or (3) modify any of the rights or obligations of the Trustee or the Corporation without its written consent thereto.

(b) This Agreement and the rights and obligations of the Corporation and the District and of the Owners of the Certificates may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any Certificates, but with the written consent of the Insurer so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, but only to the extent permitted by law and only for any one or more of the following purposes —

(i) to add to the covenants and agreements of the Corporation or the District contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the District, and which shall not adversely affect the interests of the Owners of the Certificates;

(ii) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Corporation or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Certificates; and

(iii) to make such other amendments or modifications as may be in the best interests of the Owners of the Certificates.

Section 9.2 Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Trustee to the Owner of any Outstanding Certificate and presentation of such Owner's Certificate for such purpose at the Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Trustee to the Owner

of any Outstanding Certificates such new Certificates shall be exchanged at the Office of the Trustee without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Section 9.3 Amendment of Particular Certificates. The provisions of this article shall not prevent any Owner from accepting any amendments to the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

Section 9.4 Effect of Insurance Policy. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Agreement would adversely affect the security for the Certificates or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

## ARTICLE X

### DEFEASANCE

Section 10.1 Discharge of Trust Agreement. When the obligations of the District under the Installment Purchase Agreement shall cease pursuant to Article IX of the Installment Purchase Agreement (except for the right of the Trustee and the obligation of the District to have the money and Permitted Investments mentioned therein applied to the payment of Installment Payments as therein set forth and the obligation to apply moneys on deposit in the Rebate Fund as provided in Section 5.6 herein), then and in that case the obligations created by this Agreement shall thereupon cease, terminate and become void except for the obligation of the District to direct the Trustee to apply money on deposit in the Rebate Fund as provided herein which shall continue until such moneys are so applied and the right of the Owners to have applied and the obligation of the Trustee to apply such moneys and Permitted Investments to the payment of the Certificates as herein set forth, and subject to application of moneys on deposit in the Rebate Fund as provided in Section 5.6, the Trustee shall turn over to the District, after provision for payment of amounts due the Trustee hereunder, as an overpayment of Installment Payments, any surplus in the Certificate Payment Fund and all balances remaining in any other funds or accounts other than moneys and Permitted Investments held for the payment of the Certificates at maturity or on prepayment, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal or interest and premium, if any, represented by the Certificates, and after such payment, this Agreement shall become void.

If moneys or securities described in clauses (a) and (m) of the definition of Permitted Investments are deposited with and held by the Trustee as hereinabove provided, the Trustee shall within thirty (30) days after such moneys or Permitted Investments shall have been deposited with it, mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.8, setting forth (a) the date fixed for prepayment of the Certificates, (b) a description of the moneys or securities described in clauses (a) and (m) of the definition of Permitted Investments so held by it, and (c) that this Agreement has been released in accordance with the provisions of this Section.

Section 10.2 Deposit of Money or Securities with Trustee. Whenever in this Agreement or the Installment Purchase Agreement it is provided or permitted that there be deposited with or held in

trust by the Trustee money or securities in the necessary amount to pay or prepay any Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Agreement and shall be —

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such Certificates and all unpaid interest represented thereby to maturity, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Prepayment Price and all unpaid interest to such date of prepayment if any, represented by such Certificates; or

(b) non-callable securities described in clauses (a) and (m) of the definition of Permitted Investments which will provide money sufficient to pay the principal at maturity or upon prepayment plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the Certificates to be paid or prepaid, as such amounts become due, plus premium, if any, provided that, in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Agreement and the Installment Purchase Agreement or by Written Request of the District) to apply such money or securities to the payment of such principal or Prepayment Price and interest represented by such Certificates.

Section 10.3 Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the interest, principal or Prepayment Price represented by any of the Certificates which remain unclaimed for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest, principal or Prepayment Price represented by such Certificates have become payable, shall at the Written Request of the District be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal or Prepayment Price represented by such Certificates; provided, however, that before being required to make any such payment to the District, the Trustee shall, at the written request and expense of the District, first mail a notice to the owners of the Certificates so payable that such moneys remain unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the District.

## ARTICLE XI

### MISCELLANEOUS

Section 11.1 Benefits of Trust Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Trustee, the Corporation and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term required herein to be observed or performed by or on behalf of the District shall be for the sole and exclusive benefit of the Trustee, the Corporation and the Owners.

Section 11.2 Successor Deemed Included in all References to Predecessor. Whenever either the District, the Corporation or the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, the Corporation or the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the District, the Corporation or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.3 Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of Section 2.8.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

Section 11.4 Disqualified Certificates. Certificates owned or held by or for the account of the Corporation or the District (but excluding Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided for in this Agreement, and shall not be entitled to consent to or take any other action provided for in this Agreement.

The Trustee may adopt appropriate regulations to require each Owner of Certificates, before his consent provided for in this Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section.

Section 11.5 Waiver of Personal Liability. No director, officer or employee of the District or the Corporation shall be individually or personally liable for the payment of the interest, principal or the prepayment premiums, if any, represented by the Certificates, but nothing contained herein shall relieve any director, officer or employee of the District or Corporation from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

Section 11.6 Destruction of Certificates. Whenever in this Agreement provision is made for the cancellation by the Trustee of any Certificates, the Trustee shall destroy such Certificates and deliver a certificate of such destruction to the District.

Section 11.7 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 Agreement or affect its meaning, construction or effect.

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

Section 11.8 Funds and Accounts. Any fund required by this Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with sound industry practices and with due regard for the protection of the security of the Certificates and the rights of every Owner thereof.

Section 11.9 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the District, the Corporation or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The District, the Corporation and the Trustee hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Certificates pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstances may be held to be unconstitutional, unenforceable or invalid.

Section 11.10 California Law. THIS AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.11 Notices. All written notices to be given under this Agreement to the parties hereto shall be given by mail, facsimile or personal delivery to the party entitled thereto at its address and facsimile number set forth below, or at such address and facsimile number as the party may provide to the other parties in writing from time to time.

If to the District:           2890 Mosquito Road  
  Placerville, California 95667  
  Attention: General Manager  
  Facsimile: (530) 622-1195

If to the Corporation:       2890 Mosquito Road  
  Placerville, California 95667  
  Attention: President  
  Facsimile: (530) 622-1195

If to the Trustee: 350 California Street, 11th Floor  
San Francisco, California 94104  
Attention: Corporate Trust Department  
Facsimile: (415) 273-2492  
Email: [AccountAdministration-CorporateTrust@unionbank.com](mailto:AccountAdministration-CorporateTrust@unionbank.com)  
[CashControlGroup-LosAngeles@unionbank.com](mailto:CashControlGroup-LosAngeles@unionbank.com)

If to the Insurer [ADDRESS]  
Facsimile: [FAX]

In each case in which a notice or other communication to the Insurer refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED." Notwithstanding the foregoing provisions of this Section 11.11, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.12 Execution in Counterparts. This Agreement 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 11.13 Business Day. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period with no interest accruing for the period after such nominal date.

Section 11.14 Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Agreement.

Section 11.15 Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment with respect to the Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer

Section 11.16 Insurer Consideration. The rights granted to the Insurer under this Agreement or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 11.17 Amounts Paid by Insurer. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Agreement and the Certificates relating to such payments shall remain Outstanding and continue to be due and owing until paid by the District in accordance with this Agreement. This Agreement shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Section 11.18 Covenant to Preserve Priority. Each of the District and Trustee covenant and agree to take such action (including, as applicable, filing of Uniform Commercial Code financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Installment Payments set forth in Section 5.01 under applicable law. Notwithstanding anything to the contrary above, the Trustee shall have no duty or liability whatsoever to monitor or notify any party with respect to the timeliness, sufficiency or validity of any such filing, filing of continuation statements and any other action; it being expressly understood and agreed that the Trustee's duties under this Section shall be exclusively limited to following the express written instructions of the District, from time to time with respect to the above described actions.

Section 11.19 Subrogation and Survival of Obligations. The Insurer shall, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the District to the Insurer under this Agreement or any supplement thereto or amendment thereof shall survive discharge or termination of this Agreement or any supplement thereto or amendment thereof.

Section 11.20 Additional Information. The Insurer shall have the right to receive such additional information as it may reasonably request.

IN WITNESS WHEREOF, the parties have executed and attested this Agreement by their officers hereunto duly authorized as of the date and year first written above.

MUFG UNION BANK, N.A., as Trustee

By: \_\_\_\_\_  
Authorized Officer

EL DORADO IRRIGATION DISTRICT  
FINANCING CORPORATION

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Secretary

EL DORADO IRRIGATION DISTRICT

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Secretary



[FORM OF CERTIFICATE OF PARTICIPATION]

EL DORADO IRRIGATION DISTRICT  
 REVENUE CERTIFICATE OF PARTICIPATION, SERIES 2016B

Evidencing an Interest of the Owner Hereof  
 in Installment Payments to be Made by the

EL DORADO IRRIGATION DISTRICT

INTEREST RATE:  _____ %	CERTIFICATE PAYMENT DATE  March 1, _____	DATED DATE  _____, 20__	CUSIP   _____
----------------------------------	--	----------------------------------	------------------------

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THIS IS TO CERTIFY that the Registered Owner (specified above) of this Certificate of Participation (herein called the "Certificate") is the owner of an undivided interest in the right to receive certain Installment Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under that certain Installment Purchase Agreement (the "Installment Purchase Agreement"), dated as of June 1, 2016, by and between El Dorado Irrigation District Financing Corporation (the "Corporation") and the El Dorado Irrigation District (the "District"). The Installment Payments to be made thereunder have been assigned to MUFG Union Bank, N.A., as trustee (the "Trustee"), having a corporate trust office in Los Angeles, California. The Trustee has executed and delivered \$\_\_\_\_\_ aggregate principal amount of Certificates.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Agreement and the Trust Agreement, dated as of June 1, 2016, by and among the Trustee, the Corporation and the District (the "Trust Agreement"), on the Certificate Payment Date (specified above) the Principal Amount (specified above) representing a portion of the Installment Payments designated as principal coming due on the Certificate Payment Date, and to receive an interest component on such principal component at the interest rate per annum specified above, from the Interest Payment Date (as hereinafter defined) preceding the date of execution hereof by the Trustee, unless such date of execution is after a Record Date (as hereinafter defined) and on or before the succeeding Interest Payment Date, in which case interest shall be payable from such Interest Payment Date, or unless such date of execution is on or before the first Record Date, in which case interest shall be payable from the Dated Date; provided, however, that if, as shown by the records of the Trustee, interest represented by this Certificate is in default, Certificates executed in exchange for this Certificate surrendered for transfer or exchange shall represent interest from the last date to which interest has been paid in full or duly provided for with respect to this Certificate,

or, if no interest has been paid or duly provided for with respect to this Certificate, from the Dated Date.

Interest with respect to this Certificate shall be paid on September 1, 2016 and each March 1 and September 1 thereafter (each, an "Interest Payment Date"), and continuing to and including the Certificate Payment Date or the date of prior prepayment hereof, whichever is earlier. Interest with respect to this Certificate shall be calculated on the basis of a 360-day year of twelve 30-day months. The principal with respect hereto and prepayment premiums, if any, are payable in lawful money of the United States of America upon presentation and surrender at the Office of the Trustee in Los Angeles, California or such other office as the Trustee may from time to time designate in writing to the District, the Corporation and the registered owners (the "Office of the Trustee"). Interest with respect hereto is payable by check or draft of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof as of the close of business on the fifteenth day of the calendar month prior to such Interest Payment Date (the "Record Dates") at the address shown on the books maintained by the Trustee or, upon the written request received by the Trustee of an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer of immediately available funds to an account in the United States designated by such Owner prior to the applicable Record Date, except, in each case that, if and to the extent that there is a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the owner in whose name this Certificate is registered at the close of business on a special record date as determined by the Trustee.

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Trust Agreement and the Installment Purchase Agreement are on file at the corporate trust office of the Trustee in Los Angeles, California, and reference is made to the Trust Agreement and the Installment Purchase Agreement and any and all amendments thereto for a description of the pledges and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the Certificates with respect thereto and the other terms and conditions upon which the Certificates are delivered thereunder.

The Certificates are payable from Installment Payments payable by the District and other amounts on deposit in certain funds and accounts held under the Trust Agreement, including but not limited to the Reserve Fund, all in accordance therewith. All Revenues and all amounts on deposit in the Revenue Fund (as such terms are defined in the Installment Purchase Agreement) are irrevocably pledged to the payment of the Installment Payments and the Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided that out of Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement. This pledge, together with all other Contracts and Bonds (as such terms are defined in the Installment Purchase Agreement) constitutes a lien on Revenues, subject to application of Revenues and all amounts on deposit in the Revenue Fund as permitted in the Installment Purchase Agreement, and the Revenue Fund for the payment of the Installment Payments and all other Contracts and Bonds in accordance with the terms of the Installment Purchase Agreement and of the Trust Agreement. The obligation of the District to make Installment Payments is a special obligation of the District payable solely from Net Revenues (as defined in the Installment Purchase Agreement) and other funds described in the Installment Purchase Agreement and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. The District may at any time execute any Contract, the installment payments under which, or issue any Bonds (as such terms

are defined in the Installment Purchase Agreement), the payments of which are on a parity with the Installment Payments and which are secured by a pledge of and lien on the Revenues in accordance with the Installment Purchase Agreement.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in the denomination of \$5,000 each or any integral multiple thereof; provided that no Certificate shall have principal represented thereby maturing in more than one year. Subject to the limitations and conditions and upon payment of the taxes and governmental charges provided in the Trust Agreement, Certificates may be exchanged for a like aggregate principal amount of Certificates of the same Certificate Payment Date of other authorized denominations at the Office of the Trustee.

This Certificate is transferable by the Registered Owner hereof, in person or by such person's duly authorized attorney, but only in the manner, subject to the limitations and conditions and upon payment of the taxes and governmental charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer, in a form approved by the Trustee. Upon such transfer a new Certificate or Certificates of the same Certificate Payment Date and of authorized denomination or denominations, for a like aggregate principal amount will be delivered to the transferee in exchange herefor.

The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Trustee shall not be affected by any notice to the contrary.

The Trustee shall not be required to register the transfer or exchange of any Certificate (i) within 15 days preceding selection of Certificates for prepayment or (ii) selected for prepayment.

The Certificates are subject to extraordinary prepayment prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a written request to the Trustee and by lot within each maturity in integral multiples of \$5,000, from prepaid Installment Payments made by the District from Net Proceeds (as defined in the Installment Purchase Agreement), under the circumstances and upon the terms prescribed in the Trust Agreement and the Installment Purchase Agreement, at a prepayment price equal to the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

The Certificates with stated maturities on March 1, 20\_\_ are subject to prepayment prior to such stated maturity, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee not more than 60 days nor less than 20 days prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 20\_\_, from amounts prepaid by the District pursuant to the Installment Purchase Agreement at a Prepayment Price equal to the principal amount of such Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment without premium.

The Certificates with stated maturities on March 1, 20\_\_ are subject to mandatory sinking fund prepayment prior to such stated maturity, as a whole or in part on each March 1 on and after March 1, 20\_\_ in integral multiples of \$5,000 solely from scheduled Installment Payments paid by the District under the Installment Purchase Agreement, at a prepayment price of the principal amount thereof (together with accrued interest evidenced to the date fixed for prepayment), without premium, in accordance with the following schedule:

***Prepayment Date  
(March 1)***

***Principal  
Amount***

---

\* Final Maturity.

As provided in the Trust Agreement, notice of prepayment hereof shall be mailed, first class postage prepaid, not less than 30 days nor more than 60 days prior to the prepayment date, to the Registered Owner of this Certificate at the address thereof appearing on the Certificate registration books. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment. Any defect in the notice or the mailing thereof will not affect the validity of the prepayment of this Certificate.

To the extent and in the manner permitted by the terms of the Trust Agreement and the Installment Purchase Agreement, as the case may be, the Trust Agreement and the rights and obligations of the District and of the registered owners of the Certificates and of the Trustee or the Installment Purchase Agreement and the rights and obligations of the Corporation and the District and the registered owners of the Certificates and the Trustee, respectively, may be modified or amended with the written consents of the registered owners of a majority in aggregate principal amount of the Certificates (as such terms is defined in the Trust Agreement) then outstanding and the written consent of \_\_\_\_\_ (the "Insurer"), so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy (as such terms are defined in the Trust Agreement), provided, however, that no such modification or amendment shall (1) extend the stated maturities of the Certificates, or reduce the rate of interest or yield-to-maturity represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the registered owner of each Certificate so affected, or (2) reduce the percentage of registered owners of Certificates whose consent is required for the execution of any amendment or modification of the Trust Agreement or the Installment Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee or the Corporation without its written consent thereto.

To the extent and in the manner permitted by the terms of the Trust Agreement and the Installment Purchase Agreement, as the case may be, the Trust Agreement and the rights and obligations of the Corporation and the District and of the registered owners of the Certificates or the Installment Purchase Agreement and the rights and obligations of the Corporation and the District may also be modified or amended, without the consent of the Owners of any Certificates, but with the written consent of the Insurer so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, but only to the extent permitted by law and only for any one or more of the following purposes:

- (1) to add to the covenants and agreements of the Corporation or the District contained in the Trust Agreement or the Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power in the Trust Agreement or the Installment Purchase Agreement reserved to or conferred upon the Corporation or the District, and which shall not adversely affect the interests of the registered owners of the Certificates;

- (2) to cure, correct or supplement any ambiguous or defective provision contained in the Trust Agreement or the Installment Purchase Agreement or in regard to questions arising under the Trust Agreement or the Installment Purchase Agreement, as the Corporation or the District may deem necessary or desirable and which shall not adversely affect the interests of the registered owners of the Certificates; and
- (3) to make such other amendments or modifications as may be in the best interests of the registered owners of the Certificates.

Upon acceleration, the Installment Payments and the Certificates shall become due and payable immediately from the sources described in the Installment Purchase Agreement and the Trust Agreement, respectively.

The Trustee has no obligation or liability to the registered owners of the Certificates for the payment of interest, principal or prepayment premium, if any, with respect to the Certificates out of the Trustee's own funds; the Trustee's sole obligations are those described in the Trust Agreement. The recitals of facts herein shall be taken as statements of the District and the Corporation and the Trustee does not have any responsibility for the accuracy thereof.

The District has certified that all acts, conditions and things required by the Constitution and statutes of the State of California and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of this Certificate, do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized signatory of the Trustee, all as of the date set forth below.

Execution date:

MUFG UNION BANK, N.A., as Trustee

By \_\_\_\_\_  
Authorized Signatory

**STATEMENT OF INFORMATION**

[TO COME FROM INSURER]

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within mentioned Certificate and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor institution.

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE \_\_, 2016**

**NEW ISSUE – BOOK-ENTRY ONLY**

\$ \_\_\_\_\_\*  
**EL DORADO IRRIGATION DISTRICT  
REFUNDING REVENUE BONDS  
SERIES 2016A**

**RATINGS: See the caption “RATINGS”**

\$ \_\_\_\_\_\*  
**EL DORADO IRRIGATION DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
SERIES 2016B**

**Dated: Date of Issuance**

The 2016A Bonds are being issued to provide funds (i) to refund a portion of the outstanding El Dorado Irrigation District Revenue Certificates of Participation, Series 2009A, (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2016A Bonds, (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the reserve fund created with respect to the 2016A Bonds and (iv) to pay costs of issuance of the 2016A Bonds, all as more fully described herein. The 2016A Bonds are being issued pursuant to the Indenture of Trust, dated as of June 1, 2016, by and between the El Dorado Irrigation District and MUFG Union Bank, N.A., as trustee. Interest on the 2016A Bonds is payable on September 1, 2016 and each March 1 and September 1 thereafter, until the maturity thereof.

**Due: March 1, as set forth on the inside cover**

**The 2016A Bonds are subject to optional, mandatory and extraordinary redemption, all as more fully described herein.**

The 2016B Certificates are being executed and delivered to provide funds (i) to finance the acquisition of certain facilities for the District Water System, (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest with respect to the 2016B Certificates, (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the reserve fund created with respect to the 2016B Certificates and (iv) to pay costs of delivery of the 2016B Certificates, all as more fully described herein. The 2016B Certificates are being delivered pursuant to the Trust Agreement, dated as of June 1, 2016, by and among the El Dorado Irrigation District, the El Dorado Irrigation District Financing Corporation and MUFG Union Bank, N.A., as trustee. The 2016B Certificates are payable solely from Installment Payments to be made by the District to the Corporation pursuant to the Installment Purchase Agreement, dated as of June 1, 2016, by and between the District and the Corporation, and amounts on deposit in certain funds and accounts created under the 2016B Trust Agreement. Interest with respect to the 2016B Certificates is payable on September 1, 2016 and each March 1 and September 1 thereafter, until the maturity thereof.

**The 2016B Certificates are subject to optional, mandatory and extraordinary prepayment, all as more fully described herein.**

The 2016A Bonds are being issued in fully registered form and the 2016B Certificates are being prepared as fully-registered 2016B Certificates and, when each of the 2016A Bonds and the 2016B Certificates are delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository for the 2016A Bonds and the 2016B Certificates. Purchasers of beneficial interests will not receive certificates representing their interest in the 2016A Bonds and the 2016B Certificates. So long as Cede & Co. is the registered owner of the 2016A Bonds or 2016B Certificates, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the 2016A Bonds or the 2016B Certificates. Individual purchases of the 2016A Bonds and the 2016B Certificates will be made in book-entry form only in authorized denominations of \$5,000 or any integral multiple thereof. The principal of and interest on the 2016A Bonds and evidenced by the 2016B Certificates are payable directly to DTC by MUFG Union Bank, N.A., as Trustee. Upon receipt of payments of principal and interest, DTC is obligated to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2016A Bonds and the 2016B Certificates.

The obligations of the District to pay principal of and interest on the 2016A Bonds and to make Installment Payments are special obligations of the District payable solely from Net Revenues of the District’s Water System and the District’s Wastewater System, consisting of District Water System Revenues remaining after payment of District Water System Operation and Maintenance Costs and District Wastewater System Revenues remaining after payment of District Wastewater System Operation and Maintenance Costs. **The obligations of the District to pay principal of and interest on the 2016A Bonds and to make Installment Payments are irrevocable obligations of the District payable solely from District Net Revenues but do not constitute obligations of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligations of the District to pay principal of and interest on the 2016A Bonds and to make Installment Payments do not constitute debt of the District, the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.**

The obligations of the District to pay principal of and interest on the 2016A Bonds and to make Installment Payments are payable from District Net Revenues after Pre-Existing Obligations in the aggregate principal amount of approximately \$10,185,082 and on a parity with Parity Payments, which after the refunding contemplated herein and the execution and delivery of the 2016B Certificates, will be outstanding in the aggregate principal amount of approximately \$306,433,241\* as further described herein. The District may incur additional obligations payable from District Net Revenues on a parity with the obligation to pay principal of and interest on the 2016A Bonds and the obligation to make Installment Payments, subject to the terms and conditions of the Indenture and the 2016B Installment Purchase Agreement, as more fully described herein.

The scheduled payment of the principal of and interest on the 2016A Bonds and the principal and interest with respect to the 2016B Certificates when due will be guaranteed under insurance policies to be issued concurrently with the issuance of the 2016A Bonds and execution and delivery of the 2016B Certificates by [INSURER].

[INSERT LOGO]

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel and Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the 2016A Bonds and the portion of each Installment Payment constituting interest with respect to the 2016B Certificates are excluded from gross income for federal income tax purposes and are not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel and Special Counsel, interest on the 2016A Bonds and the portion of each Installment Payment constituting interest are exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences relating to the 2016A Bonds and the 2016B Certificates.*

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.



MATURITY SCHEDULE – See Inside Cover Page

*The 2016A Bonds and the 2016B Certificates are offered when, as and if issued or executed and received by the Underwriter, subject to the approval as to the legality of certain matters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel and Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Ballard Spahr LLP, for the District and the Corporation by Thomas D. Cumpston, Esq., General Counsel to the District, for [insurer] by its counsel and for the Trustee by its counsel. It is anticipated that the 2016A Bonds and the 2016B Certificates will be available for delivery through the facilities of The Depository Trust Company on or about July \_\_, 2016.*

**CITIGROUP**

Dated: July \_\_, 2016

**MATURITY SCHEDULE**

\$ \_\_\_\_\_  
**EL DORADO IRRIGATION DISTRICT  
REFUNDING REVENUE BONDS, SERIES 2016A**

<i>Maturity Date</i> <i>(March 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
--	-------------------------	----------------------	--------------

**MATURITY SCHEDULE**

\$ \_\_\_\_\_  
**EL DORADO IRRIGATION DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2016B**

<i>Maturity Date</i> <i>(March 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
--	-------------------------	----------------------	--------------

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. 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 2016A Bonds or the 2016B Certificates 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 2016A Bonds or the 2016B Certificates. 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 a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein 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 Underwriter. The information and expression 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 District since the date hereof.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016A BONDS AND THE 2016B CERTIFICATES AT A LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2016A BONDS AND THE 2016B CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.**

THE 2016A BONDS AND THE 2016B CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2016A BONDS AND THE 2016B CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

[INSURER] makes no representation regarding the 2016A Bonds or the 2016B Certificates or the advisability of investing in the 2016A Bonds or the 2016B Certificates. In addition, [INSURER] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [INSURER] supplied by [INSURER] and presented under the heading “BOND INSURANCE” and Appendix F—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2016A Bonds or the 2016B Certificates.

**EL DORADO IRRIGATION DISTRICT  
BOARD OF DIRECTORS**

Bill George, President  
George W. Osborne, Vice President  
Alan Day, Director  
Dale Coco, M.D., Director  
Greg Prada, Director

**DISTRICT STAFF**

James M. Abercrombie, General Manager and District Secretary  
Mark T. Price, CPA, Director of Finance and Treasurer

**SPECIAL SERVICES**

**General Counsel**

Thomas D. Cumpston, Esq.

**Bond Counsel and Special Counsel**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Sacramento, California

**Trustee**

MUFG Union Bank, N.A.  
San Francisco, California

**Financial Advisor**

Fieldman, Rolapp & Associates  
Irvine, California

**Verification Agent**

Grant Thornton LLP  
Minneapolis, Minnesota

**TABLE OF CONTENTS**

**Page**

SUMMARY STATEMENT ..... i

INTRODUCTION ..... 1

    General..... 1

    The 2016A Bonds ..... 1

    The 2016B Certificates ..... 2

    Continuing Disclosure..... 4

    Forward-Looking Statements..... 4

PLAN OF FINANCE..... 5

    The Refunding Plan ..... 5

    The Project ..... 6

ESTIMATED SOURCES AND USES OF FUNDS ..... 6

THE 2016A BONDS ..... 6

    General Provisions ..... 6

    Transfers and Exchanges Upon Termination of Book-Entry Only System ..... 7

    Redemption of the 2016A Bonds..... 8

    Notice of Redemption ..... 9

    Book-Entry Only System..... 9

THE 2016B CERTIFICATES ..... 10

    General Provisions ..... 10

    Book-Entry Only System..... 10

    Transfers and Exchanges Upon Termination of Book-Entry Only System ..... 11

    Prepayment of the 2016B Certificates ..... 12

    Notice of Prepayment..... 12

EL DORADO IRRIGATION DISTRICT PAYMENT SCHEDULE ..... 14

SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B  
CERTIFICATES..... 15

    Special Obligations Payable From Net Revenues..... 15

    Rate Covenants ..... 16

    Additional Indebtedness..... 16

    Reserve Fund for 2016A Bonds..... 17

    Reserve Fund for 2016B Certificates ..... 17

BOND INSURANCE ..... 17

THE EL DORADO IRRIGATION DISTRICT..... 18

    General..... 18

    Service Area..... 18

    Governance and Management..... 19

    Employees and Employee Benefits..... 19

    Budget Process..... 24

    District Property and Liability Insurance ..... 24

    Other Outstanding Revenue Obligations ..... 25

    1% Property Tax Revenues..... 27

    Assessed Valuations, Tax Collections and Tax Delinquencies..... 28

    Ad Valorem Tax ..... 29

**TABLE OF CONTENTS**  
(continued)

	<i>Page</i>
Certain Factors Affecting Growth.....	29
<b>THE WATER SYSTEM OF THE DISTRICT .....</b>	<b>30</b>
The Water System.....	30
Water Supply .....	31
California Drought and Response .....	33
Future Water Supplies.....	35
Historic and Projected System Firm Yield.....	36
Historic Water Connections .....	36
Historic Water Deliveries.....	38
Historic Water Sales Revenues .....	38
Largest Customers .....	40
Water System Rates and Charges .....	40
Collection Procedures .....	41
Future Water System Improvements.....	42
Projected Potable Water Connections .....	42
Projected Raw Water Deliveries .....	43
Projected Water Sales Revenues.....	43
Hydroelectric Revenues .....	43
Historic Operating Results and Debt Service Coverage .....	44
Management Discussion With Respect To Fiscal Years 2011 through 2015 .....	47
Projected Operating Results and Debt Service Coverage .....	47
<b>THE WASTEWATER SYSTEM OF THE DISTRICT .....</b>	<b>50</b>
The Wastewater System.....	50
Historic Wastewater Connections.....	51
Historic Wastewater System Usage .....	51
Historic Wastewater Service Charge Revenues.....	52
Wastewater System Rates and Charges .....	53
Collection Procedures .....	54
Future Wastewater System Improvements.....	54
Projected Wastewater Connections.....	55
Projected Wastewater System Usage .....	55
Projected Wastewater Service Charge Revenues.....	55
The Recycled Water System .....	56
Historic Recycled Water Connections .....	57
Historic Recycled Water System Usage .....	57
Historic Recycled Water Service Charge Revenues .....	58
Largest Customers .....	58
Recycled Water System Rates and Charges.....	58
Collection Procedures .....	60
Future Recycled Water System Improvements.....	61
Projected Recycled Water Connections.....	61
Projected Recycled Water System Demand.....	62
Projected Recycled Water Service Charge Revenues .....	62
Historic Operating Results and Debt Service Coverage .....	62
Management Discussion With Respect To Fiscal Years 2011 through 2015 .....	64
Projected Operating Results and Debt Service Coverage .....	64
<b>FINANCIAL INFORMATION OF THE DISTRICT .....</b>	<b>66</b>
Financial Statements .....	66
Historic Operating Results and Debt Service Coverage .....	66

**TABLE OF CONTENTS**  
*(continued)*

	<i>Page</i>
Management Discussion With Respect To Fiscal Years 2011 through 2015 .....	68
Projected Operating Results and Debt Service Coverage .....	69
CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.....	71
Article XIII B .....	71
Proposition 218 .....	72
Proposition 26 .....	73
Future Initiatives .....	74
CERTAIN LEGAL MATTERS .....	74
LITIGATION .....	74
TAX MATTERS.....	75
2016A Bonds .....	75
2016B Certificates .....	75
General.....	76
FINANCIAL ADVISOR .....	77
RATINGS .....	78
UNDERWRITING .....	78
CONTINUING DISCLOSURE UNDERTAKING.....	79
MISCELLANEOUS .....	80
APPENDIX A – EL DORADO IRRIGATION DISTRICT FINANCIAL STATEMENTS.....	A-1
APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS .....	B-1
APPENDIX C – FORM OF BOND COUNSEL’S OPINION .....	C-1
APPENDIX D – FORM OF OPINION OF SPECIAL COUNSEL .....	D-1
APPENDIX E – INFORMATION CONCERNING DTC .....	E-1
APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	F-1
APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	G-1
APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY .....	H-1



## SUMMARY STATEMENT

*This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2016A Bonds and the 2016B Certificates to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.*

### **The 2016A Bonds**

**Purpose.** The 2016A Bonds are being issued (i) to provide funds to refund a portion of the currently outstanding El Dorado Irrigation District Revenue Certificates of Participation, Series 2009A, (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2016A Bonds, (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the reserve fund created with respect to the 2016A Bonds and (iv) to pay costs of issuance of the 2016A Bonds, all as more fully described herein.

**Security for the 2016A Bonds.** The obligation of the District to pay principal of and interest on the 2016A Bonds is a special obligation of the District payable solely from Net Revenues of the District's Water System and the District's Wastewater System, consisting of District Water System Revenues remaining after payment of District Water System Operation and Maintenance Costs and District Wastewater System Revenues remaining after payment of District Wastewater System Operation and Maintenance Costs.

Notwithstanding anything in the Indenture or the 2016A Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2016A Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

The obligation of the District to pay principal of and interest on the 2016A Bonds is payable from District Net Revenues after Pre-Existing Obligations in the aggregate principal amount of approximately \$10,185,082 and on a parity with Parity Payments, which after the refunding contemplated herein and the execution and delivery of the 2016B Certificates, will be outstanding in the aggregate principal amount of approximately \$306,569,218\* as further described herein. The District may incur additional obligations payable from District Net Revenues on a parity with the obligation to pay principal of and interest on the 2016A Bonds, subject to the terms and conditions of the Indenture, as more fully described herein.

**The Refunding Plan.** A portion of the proceeds of the 2016A Bonds will be transferred to MUFG Union Bank, N.A., as escrow agent with respect to the Refunded 2009A Certificates, to prepay \$18,355,000\* principal amount, representing a portion of the currently outstanding El Dorado Irrigation District Revenue Certificates of Participation, Series 2009A. See the caption "PLAN OF FINANCE—The Refunding Plan" herein.

**Rate Covenants.** The Indenture requires the District: (a) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Water System; and (b) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Wastewater

---

\* Preliminary, subject to change

System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

For avoidance of doubt, so long as the District has complied with its obligations set forth in subsections (a) and (b) above, the failure of Net Water System Revenues or Net Wastewater System Revenues to meet the thresholds set forth in (a) or (b) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with (a) and (b) at the commencement of the succeeding Fiscal Year.

***Additional Contracts and Bonds Tests.*** The Indenture permits the District to execute any Contracts or issue any Bonds on a parity with the obligation to pay principal of and interest on the 2016A Bonds, provided that certain conditions are satisfied as herein described.

***Reserve Fund.*** A Reserve Fund for the 2016A Bonds is established pursuant to the Indenture in an amount equal to the 2016A Reserve Requirement. \_\_\_\_\_ has committed to issue, simultaneously with the issuance of the 2016A Bonds, a municipal bond debt service reserve insurance policy in the principal amount of \$\_\_\_\_\_ for deposit in the Reserve Fund to satisfy the 2016A Reserve Requirement.

***Redemption.*** The 2016A Bonds are subject to optional, mandatory and extraordinary redemption as described herein.

***Insurance.*** Payment of principal of and interest on the 2016A Bonds will be insured by a municipal bond insurance policy to be issued by \_\_\_\_\_ concurrently with the issuance of the 2016A Bonds. See the caption "BOND INSURANCE."

## **The 2016B Certificates**

***Purpose of the 2016B Certificates.*** The 2016B Certificates are being executed and delivered to provide funds (i) to finance the acquisition of certain facilities for the District Water System, (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest with respect to the 2016B Certificates, (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the reserve fund created with respect to the 2016B Certificates and (iv) to pay costs of delivery of the 2016B Certificates, all as more fully described herein.

***Security for the 2016B Certificates.*** The obligation of the District to make Installment Payments is a special obligation of the District payable solely from Net Revenues of the District's Water System and the District's Wastewater System, consisting of District Water System Revenues remaining after payment of District Water System Operation and Maintenance Costs and District Wastewater System Revenues remaining after payment of District Wastewater System Operation and Maintenance Costs.

The obligation of the District to make the Installment Payments is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues and the Revenue Fund for the payment of amounts due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make Installment Payments is payable from District Net Revenues after Pre-Existing Obligations in the aggregate principal amount of approximately \$10,185,082 and on a parity with Parity Payments, which after the refunding contemplated herein and the execution and delivery of the

2016B Certificates, will be outstanding in the aggregate principal amount of approximately \$306,569,218\* as further described herein. The District may incur additional obligations payable from District Net Revenues on a parity with the obligation to make Installment Payments, subject to the terms and conditions of the 2016B Installment Purchase Agreement, as more fully described herein.

**Rate Covenants.** The 2016B Installment Purchase Agreement requires the District: (a) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Water System; and (b) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

For avoidance of doubt, so long as the District has complied with its obligations set forth in subsection (a) and (b) above, the failure of Net Water System Revenues or Net Wastewater System Revenues to meet the thresholds set forth in (a) or (b) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with (a) and (b) at the commencement of the succeeding Fiscal Year.

**Additional Contracts and Bonds Tests.** The 2016B Installment Purchase Agreement permits the District to execute any Contracts or issue any Bonds on a parity with the obligation to make Installment Payments, provided that certain conditions are satisfied as herein described.

**Reserve Fund.** A Reserve Fund for the 2016B Certificates is established pursuant to the 2016B Trust Agreement in an amount equal to the 2016B Reserve Requirement. \_\_\_\_\_ has committed to issue, simultaneously with the issuance of the 2016B Certificates, a municipal bond debt service reserve insurance policy in the principal amount of \$\_\_\_\_\_ for deposit in the Reserve Fund to satisfy the 2016B Reserve Requirement.

**Prepayment.** The 2016B Certificates are subject to optional, mandatory and extraordinary prepayment as described herein.

**Insurance.** Payment of principal of and interest with respect to the 2016B Certificates will be insured by an insurance policy to be issued by \_\_\_\_\_ concurrently with the issuance of the 2016B Certificates (the "Policy").

## **The District.**

The District is a California irrigation district organized in 1925 under the provisions of the Irrigation District Law. The District has the powers under the Irrigation District Law to, among other things, provide water, sewer, electricity, and water-related recreation services within its service area. In connection therewith, the District has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities or services furnished and to incur indebtedness.

The District is the major water supplier located on the western slope of the Sierra Nevada Mountains in El Dorado County, midway between the cities of Sacramento and South Lake Tahoe, generally along the Highway 50 corridor. The contiguous service area of the District spans approximately 220 square miles and includes a variety of urban, suburban, and rural communities and land uses. The District operates over 1,298 miles of water pipe, 27 miles of ditches, 5 water treatment plants, 4 sewage treatment facilities, 628 miles of

---

\* Preliminary, subject to change

sewer lines, 61 lift stations, 36 storage and regulating reservoirs and 38 pump stations. The District provides water, and wastewater, and recycled water services to customers within the District, provides recreation services to the public, and sells hydroelectric power on the wholesale market.

The District provides water service to approximately 40,028 agricultural, domestic, commercial, and industrial accounts in several of the developed areas within the District's boundaries, including Cameron Park, Camino, Diamond Springs, El Dorado, El Dorado Hills, Placerville, Pollock Pines, Shingle Springs and other communities.

The District provides wastewater treatment, disposal, and reclamation services to approximately 21,620 domestic, commercial and industrial accounts in the suburban areas of Cameron Park, Diamond Springs, El Dorado, El Dorado Hills and Shingle Springs, recycled water to approximately 4,916 accounts in El Dorado Hills and operates satellite wastewater disposal systems in Camino Heights and Gold Ridge Forest.

The District also operates the Sly Park Recreation Area at Jenkinson Lake, one of the District's main reservoirs. The Sly Park Recreation Area includes 600 surface acres for water activities, 10 picnic areas, 9 miles of shoreline, 2 boat ramps, and 191 individual and 9 group campsites. There are also 9 miles of hiking and equestrian trails.

The District also owns and operates a 21 megawatt hydroelectric generation project licensed by the Federal Energy Regulatory Commission which consists of 4 reservoirs (Echo Lake, Lake Aloha, Caples Lake and Silver Lake), dams, a forebay, a penstock, a powerhouse, and approximately 22 miles of flumes, canals, siphons, and tunnels located through the Sierra Nevada Mountains east of Placerville in the counties of El Dorado, Alpine, and Amador. The District acquired the project from Pacific Gas & Electric in 1999. The District operates the hydroelectric facilities, including recreational features, incidental to delivery of water through the Water System and sells power generated from such hydroelectric facilities on the wholesale market.

## INTRODUCTION

### General

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the El Dorado Irrigation District Refunding Revenue Bonds, Series 2016A (the “2016A Bonds”) and the El Dorado Irrigation District Revenue Certificates of Participation, Series 2016B (the “2016B Certificates”).

Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein with respect to the 2016A Bonds and the 2016B Certificates have the meanings ascribed to them in Appendix B.

### The 2016A Bonds

**General.** The 2016A Bonds will be issued pursuant to an Indenture of Trust, dated as of June 1, 2016 (the “Indenture”), by and between the El Dorado Irrigation District (the “District”) and MUFG Union Bank, N.A., San Francisco, California, as trustee (the “Trustee”).

**Purpose.** The 2016A Bonds are being issued (i) to provide funds to refund \$18,355,000\* of the \$30,485,000 aggregate principal amount, representing a portion of the currently outstanding El Dorado Irrigation District Revenue Certificates of Participation, Series 2009A (the “2009A Certificates”) as described under the caption “REFUNDING PLAN,” (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2016A Bonds, as further described under the caption “BOND INSURANCE,” (iii) to purchase a municipal bond debt service reserve insurance policy (the “2016A Reserve Surety Policy”) for deposit in the Reserve Fund, as further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Reserve Fund,” and (iv) to pay costs of issuance of the 2016A Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

**Security.** The 2016A Bonds are special obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s Water System and Wastewater System remaining after payment of Operation and Maintenance Costs, as such terms are defined in Appendix B. The obligation of the District to pay principal of and interest on the 2016A Bonds is payable from District Net Revenues after Pre-Existing Obligations in the aggregate principal amount of approximately \$10,185,082 and on a parity with Parity Payments, which after the refunding contemplated herein and the execution and delivery of the 2016B Certificates, will be outstanding in the aggregate principal amount of approximately \$306,569,218\*. See the caption “EL DORADO IRRIGATION DISTRICT—Other Outstanding Revenue Obligations.” The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2016A Bonds in the future upon the satisfaction of certain conditions. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND 2016B CERTIFICATES—Additional Indebtedness.”

**Rate Covenants.** The Indenture requires the District: (a) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by

---

\* Preliminary; subject to change.

the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Water System; and (b) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

For avoidance of doubt, so long as the District has complied with its obligations set forth in subsection (a) and (b) above, the failure of Net Water System Revenues or Net Wastewater System Revenues to meet the thresholds set forth in (a) or (b) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with (a) and (b) at the commencement of the succeeding Fiscal Year.

***Additional Contracts and Bonds Tests.*** The Indenture permits the District to execute any Contracts or issue any Bonds on a parity with the obligation to pay principal of and interest on the 2016A Bonds, provided that certain conditions are satisfied as herein described. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Additional Indebtedness.”

***Reserve Fund.*** A Reserve Fund for the 2016A Bonds is established pursuant to the Indenture in an amount equal to the 2016A Reserve Requirement. \_\_\_\_\_ has committed to issue, simultaneously with the issuance of the 2016A Bonds, a municipal bond debt service reserve insurance policy in the principal amount of \$\_\_\_\_\_ for deposit in the Reserve Fund to satisfy the 2016A Reserve Requirement.

***Redemption.*** The 2016A Bonds are subject to optional, mandatory and extraordinary redemption as described herein.

***Insurance.*** Payment of the principal of and interest on the 2016A Bonds will be insured by a municipal bond insurance policy (the “Policy”) to be issued by \_\_\_\_\_. (the “Insurer”) concurrently with the issuance of the 2016A Bonds. See the caption “BOND INSURANCE.” A specimen of the Policy is set forth in Appendix H.

## **The 2016B Certificates**

***General.*** The 2016B Certificates represent the interests of the registered owners thereof (the “Certificate Owners”) in installment payments (the “Installment Payments”) payable by the District under the Installment Purchase Agreement, dated as of June 1, 2016 (the “2016B Installment Purchase Agreement”), by and between the District and the El Dorado Irrigation District Financing Corporation, a nonprofit public benefit corporation (the “Corporation”). The 2016B Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2016 (the “2016B Trust Agreement”), by and among the District, the Corporation and the Trustee. Pursuant to an Assignment Agreement, dated as of June 1, 2016 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation has assigned to the Trustee for the benefit of the Owners of the 2016B Certificates substantially all its rights under the 2016B Installment Purchase Agreement, including the right of the Corporation to receive Installment Payments payable under the 2016B Installment Purchase Agreement and the right of the Corporation to enforce payment by the District of such Installment Payments when due.

***Purpose.*** The 2016B Certificates are being executed and delivered to provide funds (i) to finance the acquisition of certain facilities for the District Water System, (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest with respect to the 2016B Certificates, (iii) to purchase a municipal bond debt service reserve insurance policy (the “2016B Reserve Surety Policy”) for deposit in the Reserve Fund created with respect to the 2016B Certificates and (iv) to pay costs of delivery of

the 2016B Certificates, all as more fully described herein. See the captions “THE PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

**Security.** The obligation of the District to make Installment Payments is a special obligation of the District payable solely from Net Revenues of the District’s Water System and the District’s Wastewater System, consisting of District Water System Revenues remaining after payment of District Water System Operation and Maintenance Costs and District Wastewater System Revenues remaining after payment of District Wastewater System Operation and Maintenance Costs.

The obligation of the District to make Installment Payments is an irrevocable obligation of the District payable solely from District Net Revenues but does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to make Installment Payments does not constitute a debt of the District, the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the District to make Installment Payments is payable from District Net Revenues after Pre-Existing Obligations in the aggregate principal amount of approximately \$10,185,082 and on a parity with Parity Payments, which after the refunding contemplated herein and the execution and delivery of the 2016B Certificates, will be outstanding in the aggregate principal amount of approximately \$306,569,218\* as further described herein. The District may incur additional obligations payable from District Net Revenues on a parity with the obligation to make Installment Payments, subject to the terms and conditions of the 2016B Installment Purchase Agreement, described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Additional Indebtedness” herein.

**Rate Covenants.** The 2016B Installment Purchase Agreement requires the District: (a) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Water System; and (b) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

For avoidance of doubt, so long as the District has complied with its obligations set forth in subsection (a) and (b) above, the failure of Net Water System Revenues or Net Wastewater System Revenues to meet the thresholds set forth in (a) or (b) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with (a) and (b) at the commencement of the succeeding Fiscal Year.

**Additional Contracts and Bonds Tests.** The 2016B Installment Purchase Agreement permits the District to execute any Contracts or issue any Bonds on a parity with the obligation to make Installment Payments, provided that certain conditions are satisfied as herein described. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Additional Indebtedness.”

**Redemption.** The 2016B Certificates are subject to optional, mandatory and extraordinary redemption as described herein.

**Insurance.** Payment of the principal of and interest with respect to the 2016B Certificates will be insured by a municipal bond insurance policy (the “Policy”) to be issued by the Insurer concurrently with the

---

\* Preliminary, subject to change

issuance of the 2016B Certificates. See the caption “INSTALLMENT PAYMENT INSURANCE.” A specimen of the Policy is set forth in Appendix H.

### **Miscellaneous**

The summaries and references to the Indenture, the 2016B Trust Agreement, the 2016B Installment Purchase Agreement and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture, the 2016B Trust Agreement, the 2016B Installment Purchase Agreement and each such document, statute, report or instrument, copies of which are available for inspection at the offices of the District in Placerville, California and will be available from the Trustee upon request and payment of duplication cost. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in the Indenture, the 2016B Trust Agreement and, as used herein, has the meaning given to it in the Indenture, the 2016B Trust Agreement or the 2016B Installment Purchase Agreement.

Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any Certificate Owner may obtain a copy of such report, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Mark T. Price, CPA, Director of Finance and Treasurer, El Dorado Irrigation District, 2980 Mosquito Road, Placerville, California 95667, Telephone: (530) 642-4140.

### **Continuing Disclosure**

The District has covenanted in Continuing Disclosure Agreements for the benefit of the holders and beneficial owners of the 2016A Bonds and the 2016B Certificates to provide certain financial information and operating data relating to the District by not later 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2015), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports and the notices of material events will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth hereto in Appendix F — “FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE 2016A BONDS” with respect to the 2016A Bonds and in Appendix H — “FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE 2016B CERTIFICATES” with respect to the 2016B Certificates. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

For a discussion of the District’s compliance with prior continuing disclosure undertakings, see the caption “CONTINUING DISCLOSURE UNDERTAKINGS.”

### **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement 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” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “CAPITAL IMPROVEMENT PROGRAM” and “FINANCIAL INFORMATION OF THE DISTRICT” herein.



THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES 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. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## PLAN OF FINANCE

### The Refunding Plan

**General.** The District caused the execution and delivery of the 2009A Certificates, which are currently outstanding in the aggregate principal amount of \$30,485,000, pursuant to a Trust Agreement – Fixed Rate, dated as of August 1, 2008 (the “2009A Trust Agreement”), by and among the District, the Corporation and MUFG Union Bank, N.A., as trustee (the “2009A Trustee”). The 2009A Certificates are payable from installment payments under the Installment Purchase Agreement – Fixed Rate, dated as of August 1, 2008 (the “2009A Installment Purchase Agreement – Fixed Rate”), by and between the District and the Corporation.

The District plans to apply a portion of the proceeds of the 2016A Bonds and certain other moneys deposited by the District to refund \$18,355,000\* principal amount of the outstanding obligations with respect to the 2009A Certificates maturing on August 1, 2020 through August 1, 2024 (the “Refunded 2009A Certificates”).

Under the Escrow Agreement, dated as of June 1, 2016 (the “2009A Escrow Agreement”), by and between the District and 2009A Trustee, as applicable, the District will deliver a portion of the proceeds of the 2016A Bonds to the 2009A Trustee for deposit in the escrow fund established under the 2009A Escrow Agreement (the “2009A Escrow Fund”).

The 2009A Trustee will invest a portion of the amounts deposited in the 2009A Escrow Fund in Federal Securities as set forth in the 2009A Escrow Agreement. From the maturing principal of the Federal Securities and related investment income and any uninvested moneys on deposit in the 2009A Escrow Fund, the 2009A Trustee will pay on and before August 1, 2019 all regularly scheduled payments of interest with respect to the Refunded 2009A Certificates and prepay on August 1, 2019 the principal with respect to the Refunded 2009A Certificates, without premium, all in accordance with the 2009A Escrow Agreement.

Sufficiency of the deposits in the 2009A Escrow Fund for those purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the “Verification Agent”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the 2009A Escrow Agreement, the Refunded 2009A Certificates will be defeased pursuant to the provisions of the 2009A Installment Purchase Agreement – Fixed Rate and the 2009A Trust Agreement under which the Refunded 2009A Certificates were delivered, as of the date of issuance of the 2016A Bonds.

The portion of the proceeds of the 2016A Bonds deposited with the 2009A Trustee is pledged solely to the payment of the Refunded 2009A Certificates and will not be available for the payments of principal of and interest on the 2016A Bonds.

**Verification.** Upon issuance of the 2016A Bonds, the Verification Agent will deliver reports on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to: (a) the adequacy of the maturing principal of and interest on the Federal Securities to pay when due all interest and principal with respect to the Refunded 2009A Certificates on and prior to the

---

\* Preliminary, subject to change

prepayment thereof and to pay the prepayment price of the Refunded 2009A Certificates when due; and (b) the computations of yield of the 2016A Bonds and the Federal Securities which support Bond Counsel’s opinion that the interest on the 2016A Bonds is excluded from gross income for federal income tax purposes.

**The Project**

The proceeds of the 2016B Certificates are expected to be used by the District to undertake the following projects for the Water System (collectively, the “Project”): upgrades to the Forebay Dam, repairs to the Esmeralda Tunnel, Main Ditch piping (Forebay to Reservoir 1), Sly Park intertie improvements, and replacement of several flumes (flumes 38-40 and 42-45). Certain of such costs have previously been paid by the District and Certificate proceeds will be used to reimburse the District for such prior expenditures. The District currently expects to receive all necessary environmental and other approvals in connection with the Water System Improvements.

Pursuant to the terms of the Installment Purchase Agreement, the District has the right to substitute projects for the Water System Improvements. See Appendix B—“DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Installment Purchase Agreement—Acquisition of the Project—Changes to the Project.” The District is currently constructing certain components of the Water System Improvements and expects to complete all components of the Water System Improvements described above on or before June 30, 2019.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds:

<i>Sources:</i>	<b>2016A Bonds</b>	<b>2016B Certificates</b>
Principal Amount	\$	\$
Plus Original Issue Premium		
Total Sources	<u>\$</u>	<u>\$</u>
<i>Uses:</i>		
Transfer to 2009A Trustee for Deposit into the 2009A Escrow Fund	\$	\$
Deposit to Acquisition Fund	<u>                    </u>	<u>                    </u>
Deposit to Costs of Issuance Fund <sup>(1)</sup>	<u>                    </u>	<u>                    </u>
Total Uses	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Includes Underwriter’s discount, premiums for the Policy and the debt service reserve insurance policies, and certain legal, financing and printing costs.

**THE 2016A BONDS**

**General Provisions**

The 2016A Bonds will be issued in the aggregate principal amount of \$\_\_\_\_\_\*. Each 2016A Bond will be dated the date of initial delivery (the “Issuance Date”), will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on September 1, 2016 and each March 1 and September 1 thereafter (each, an “Interest Payment Date”), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2016A Bonds will be computed on the basis of a 360 day year of twelve 30-day months.

\* Preliminary; subject to change.

The 2016A Bonds will be issued only in fully registered form and, when issued, will be 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 2016A Bonds. Ownership interests in the 2016A Bonds may be purchased in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book-Entry Only System” below and Appendix D attached hereto.

In the event that the book-entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2016A Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in San Francisco, California (the “Office of the Trustee”). Interest on the 2016A Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “Registration Books”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “Record Date”), such interest to be paid by check of the Trustee sent by first class mail on the applicable interest payment date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any 2016A Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2016A Bonds shall be payable in lawful money of the United States of America.

Each 2016A Bond will be dated the date of initial delivery, and will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before August 15, 2016, in which event it will bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2016A Bond, interest thereon is in default, such 2016A Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

### **Transfers and Exchanges Upon Termination of Book-Entry Only System**

Any 2016A Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2016A Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee will not be required to register the transfer of any 2016A Bond during the period in which the Trustee is selecting 2016A Bonds for redemption and any 2016A Bond that has been selected for redemption.

Whenever any 2016A Bond or 2016A Bonds shall be surrendered for transfer, the District will execute and the Trustee will authenticate and will deliver a new 2016A Bond or 2016A Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee will require the 2016A Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2016A Bonds, the Trustee will cancel and destroy the 2016A Bonds it has received.

2016A Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee will not be required to exchange any 2016A Bond during the period in which the Trustee is selecting 2016A Bonds for redemption and any 2016A Bond that has been selected for redemption. The Trustee will require the 2016A Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2016A Bonds, the Trustee will cancel and destroy the 2016A Bonds it has received.

## Redemption of the 2016A Bonds

**Optional Redemption.** The 2016A Bonds with stated maturities on or after March 1, 20\_\_ shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 20\_\_ at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Redemption.** The 2016A Bonds with stated maturities on March 1, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot), on each March 1 on and after March 1, 20\_\_ in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (March 1)</i>	<i>Principal Amount</i>
--------------------------------------	-----------------------------

---

\* Final Maturity.

The 2016A Bonds with stated maturities on March 1, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot), on each March 1 on and after March 1, 20\_\_ in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (March 1)</i>	<i>Principal Amount</i>
--------------------------------------	-----------------------------

---

\* Final Maturity.

**Extraordinary Redemption.** The 2016A Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the caption “DEFINITIONS AND SUMMARY OF THE INDENTURE—Particular Covenants—Insurance” and “DEFINITIONS AND SUMMARY OF THE INDENTURE—Particular Covenants—Eminent Domain Proceeds,” respectively, for a description of the circumstances under which the 2016A Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

## **Notice of Redemption**

When redemption is authorized or required, the Trustee will give notice to the Owners of the 2016A Bonds designated for redemption. Notice of redemption (other than mandatory sinking fund redemption) will be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2016A Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2016A Bonds to be redeemed, provided that such notice may be cancelled by the District upon Written Request delivered to the Trustee not less than five (5) days prior to such Redemption Date. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2016A Bonds of any such maturity are to be redeemed, the serial numbers of the 2016A Bonds of such maturity to be redeemed by giving the individual number of each 2016A Bond or by stating that all 2016A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2016A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2016A Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2016A Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon will cease to accrue, and will require that such 2016A Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2016A Bond. Notice of redemption of 2016A Bonds will be given by the Trustee at the expense of the District.

With respect to any notice of optional redemption of 2016A Bonds, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2016A Bonds to be redeemed and that, if such moneys shall not have been so received, said notice will be of no force and effect and the Trustee shall not be required to redeem such 2016A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

## **Book-Entry Only System**

One fully-registered 2016A Bond of each maturity of each series will be issued in the principal amount of the 2016A Bonds of such maturity. Such 2016A Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2016A Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2016A Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

## THE 2016B CERTIFICATES

### General Provisions

The 2016B Certificates will be executed and delivered in the aggregate principal amount of \$\_\_\_\_\_\* . The 2016B Certificates will be dated as of the date of initial delivery thereof (the “Delivery Date”), will represent interest from such date at the rates per annum set forth on the inside front cover page hereof, payable semiannually on September 1, 2016 and each March 1 and September 1 thereafter (each, a “Payment Date”), and will mature on the dates set forth on the inside front cover page hereof. Interest with respect to the 2016B Certificates will be computed on the basis of a 360-day year of twelve thirty-day months.

The 2016B Certificates will be delivered only in fully registered form and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC” or the “Depository”). DTC will act as securities depository for the 2016B Certificates. Ownership interests in the 2016B Certificates may be purchased in book- entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption “-Book-Entry Only System” below and Appendix D attached hereto.

In the event the book-entry only system described below is discontinued, the principal and prepayment premium (if any) evidenced by any 2016B Certificates are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior prepayment at the Office of the Trustee. The principal and Prepayment Price with respect to the 2016B Certificates shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Trustee. Interest with respect to the 2016B Certificates shall be payable by check or draft of the Trustee mailed by first class mail on each Payment Date of the 2016B Certificates to the respective Certificate Owners of record thereof as of the close of business on the fifteenth (15th) day of the calendar month preceding such Payment Date, whether or not such day is a Business Day (the “Record Date”) at the addresses shown on the books required to be kept pursuant to the 2016B Trust Agreement or, upon the written request received by the Trustee of an Owner of at least \$1,000,000 in aggregate principal amount of the 2016B Certificates, by wire transfer of immediately available funds to an account in the United States designated by such Owner prior to the applicable Record Date.

Interest with respect to the 2016B Certificates shall be payable from the Payment Date preceding their date of execution, unless such date shall be after a Record Date and on or before the succeeding Payment Date, in which case interest shall be payable from such Payment Date or unless such date shall be on or before the first Record Date, in which case interest shall be payable as of the date of initial delivery thereof provided, however, that if, as shown by the records of the Trustee, interest represented by the 2016B Certificates shall be in default, 2016B Certificates executed in exchange for 2016B Certificates surrendered for transfer or exchange shall represent interest from the last date to which interest has been paid in full or duly provided for with respect to the 2016B Certificates, or, if no interest has been paid or duly provided for with respect to the 2016B Certificates, as of the date of initial delivery thereof.

### Book-Entry Only System

Prior to the execution and delivery of the 2016B Certificates, the District may provide that such 2016B Certificates shall be initially executed and delivered as book-entry 2016B Certificates. If the District shall elect to deliver any 2016B Certificates in book-entry form, then the District shall cause the delivery of a separate single fully registered certificate (which may be typewritten) for each maturity date of such 2016B Certificates in an authorized denomination corresponding to that total principal amount of the 2016B Certificates designated to mature on such date. Upon initial execution and delivery, the ownership of each such Certificate shall be registered in the Certificate registration books in the name of the Nominee, as nominee

---

\* Preliminary; subject to change.

of the Depository and ownership of the 2016B Certificates, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

With respect to book-entry 2016B Certificates, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry 2016B Certificates. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry 2016B Certificates, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Certificate registration books, of any notice with respect to book-entry 2016B Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry 2016B Certificates to be prepaid in the event the District prepays the 2016B Certificates in part, or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry 2016B Certificates. The District and the Trustee may treat and consider the person in whose name each book-entry Certificate is registered in the Certificate registration books as the absolute Owner of such book-entry Certificate for the purpose of payment of principal, premium, if any, and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest with respect to the 2016B Certificates only to or upon the order of the respective Owner, as shown in the Certificate register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest evidenced and represented by the 2016B Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate registration books, shall receive a Certificate evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and represented by the 2016B Certificates. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Agreement shall refer to such nominee of the Depository.

### **Transfers and Exchanges Upon Termination of Book-Entry Only System**

Any Certificate may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the 2016B Trust Agreement, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Certificate for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any 2016B Certificate or 2016B Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or 2016B Certificates of the same maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Certificate executed and delivered upon any transfer. The Trustee may require the payment by any Certificate Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2016B Certificates the Trustee shall cancel and destroy the 2016B Certificates it has received.

2016B Certificates may be exchanged at the Office of the Trustee, for a like aggregate principal amount of 2016B Certificates of other authorized denominations of the same maturity. The Trustee may charge a sum for each new Certificate executed and delivered upon any exchange except in the case of any exchange of temporary 2016B Certificates for definitive 2016B Certificates. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2016B Certificates the Trustee shall cancel and destroy the 2016B Certificates it has received.

The Trustee shall not be required to register the exchange, or transfer pursuant to the 2016B Trust Agreement, of any Certificate (i) within 15 days preceding selection of 2016B Certificates for prepayment or (ii) selected for prepayment.

### **Prepayment of the 2016B Certificates**

**Optional Prepayment.** The 2016B Certificates with stated maturities on March 1, 20\_\_ are subject to prepayment prior to such stated maturity, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee not more than 60 days nor less than 20 days prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 20\_\_, from amounts prepaid by the District pursuant to the 2016B Installment Purchase Agreement at a Prepayment Price equal to the principal amount of such 2016B Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment without premium.

**Mandatory Prepayment.** The 2016B Certificates with stated maturities on March 1, 20\_\_ are subject to mandatory sinking fund prepayment prior to such stated maturity, as a whole or in part on each March 1 on and after March 1, 20\_\_ in integral multiples of \$5,000 solely from scheduled Installment Payments paid by the District under the 2016B Installment Purchase Agreement, at a prepayment price of the principal amount thereof (together with accrued interest evidenced to the date fixed for prepayment), without premium, in accordance with the following schedule:

<i>Prepayment Date (March 1)</i>	<i>Principal Amount</i>
--------------------------------------	-----------------------------

---

\*Final Maturity.

**Extraordinary Prepayment.** The 2016B Certificates are subject to extraordinary prepayment prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid Installment Payments made by the District from Net Proceeds, upon the terms and conditions of, and as provided for in the 2016B Trust Agreement and the 2016B Installment Purchase Agreement, at a Prepayment Price equal to the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

### **Notice of Prepayment**

Notice of prepayment shall be mailed, first class postage prepaid, to the respective Owners of any 2016B Certificates designated for prepayment at their addresses appearing on the Certificate registration books and to the Information Services and by registered or certified or overnight mail to the Securities Depositories at least 30 days but not more than 60 days prior to the prepayment date.

Each notice of prepayment shall state the date of notice, the prepayment date, the place or places of prepayment and the Prepayment Price, shall designate the maturities, CUSIP numbers, if any, and, if less than all 2016B Certificates of any such maturity are to be prepaid, the serial numbers of the 2016B Certificates of such maturity to be prepaid by giving the individual number of each Certificate or by stating that all 2016B Certificates between two stated numbers, both inclusive, have been called for prepayment and, in the case of 2016B Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that on said date there will become due and payable with respect to each of said 2016B Certificates the Prepayment Price thereof or of said specified portion of the principal represented thereby in the case of a Certificate to be prepaid in part only, together with interest accrued with respect thereto to the prepayment date, and that (provided that moneys for prepayment have been deposited with the Trustee) from and after such prepayment date interest with respect thereto shall cease to accrue, and



shall require that such 2016B Certificates be then surrendered to the Trustee. Any defect in the notice or the mailing thereof will not affect the validity of the prepayment of any Certificate.

Notice of prepayment of 2016B Certificates shall be given by the Trustee on behalf of and at the expense of the District.

## EL DORADO IRRIGATION DISTRICT PAYMENT SCHEDULE

Set forth below is a schedule of District payments of principal of and interest on the 2016A Bonds, Installment Payments, and other District Contracts and Bonds for the period ending December 31 in each of the years indicated:

<i>December 31</i>	<i>2016A Bonds</i>			<i>Installment Payments</i>			<i>District Contracts and Bonds</i> <sup>(1)(2)</sup>	<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2016							\$ 19,465,051.21	
2017							27,313,485.21	
2018							27,300,797.71	
2019							27,290,416.46	
2020							23,924,841.46	
2021							19,620,722.76	
2022							19,716,072.71	
2023							19,667,697.71	
2024							19,664,853.96	
2025							17,987,222.76	
2026							17,986,597.71	
2027							17,988,222.71	
2028							17,991,097.71	
2029							17,610,887.51	
2030							28,746,614.51	
2031							28,609,052.27	
2032							28,460,746.40	
2033							28,314,138.54	
2034							28,152,647.07	
2035							27,988,589.82	
2036							27,825,734.00	
2037							9,147,843.75	
2038							9,150,112.50	
2039							<u>9,149,018.75</u>	
<b>TOTAL</b>							<b>\$ 519,072,465.20</b>	

<sup>(1)</sup> Contracts include approximately \$306,433,241.17\* aggregate principal amount in Parity Payments. Includes the payments under the 2009A Installment Purchase Agreement – Fixed Rate other than those related to the Refunded 2009A Certificates being refunded from the proceeds of the 2016A Bonds. See the captions “INTRODUCTION” and “THE EL DORADO IRRIGATION DISTRICT—Other Outstanding Revenue Obligations.”

<sup>(2)</sup> Assumes on-going Credit Facility Agreement associated with the 2008 Certificates. Interest rate on the 2008 Certificates assumed at 5% for Fiscal Year 2016 and 5% per annum thereafter; for illustrative purposes only. See the caption “THE EL DORADO IRRIGATION DISTRICT—Other Outstanding Revenue Obligations.”

Source: District.

\* Preliminary; subject to change.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES**

### **Special Obligations Payable From Net Revenues**

All of the Revenues, all amounts held in the Revenue Fund described below and any other amounts (including proceeds of the sale of the 2016A Bonds and the 2016B Certificates) held in any fund or account established pursuant to the Indenture, the Trust Agreement and Installment Purchase Agreement (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2016A Bonds and the Installment Payments in accordance with their terms and the provisions of the Indenture and the Installment Purchase Agreement, subject however to the pledge thereon securing Pre-Existing Indebtedness now in existence, and the Revenues shall not be used for any other purpose while the 2016A Bonds remain Outstanding or the Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created for the benefit of other Bonds and Contracts, shall constitute a lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2016A Bonds and the Installment Payments in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice hereof.

In order to carry out and effectuate the pledge and lien contained in the Indenture and the Installment Purchase Agreement, the District has agreed and covenanted to receive all Revenues in trust and such Revenues shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby continued and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2016A Bonds and the Installment Payments remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in the Indenture and the Installment Purchase Agreement. All moneys in the Revenue Fund shall be held in trust and shall be applied, used and withdrawn for the purposes set forth in the Indenture and the Installment Purchase Agreement.

The District shall, from the moneys in the Revenue Fund, pay 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 then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be used to make payments with respect to Pre-Existing Indebtedness when due and payable. Thereafter all remaining moneys in the Revenue Fund shall be applied by the District at the following times for the transfer to the special funds in the order of priority set forth in the Indenture and the Installment Purchase Agreement; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section:

**THE OBLIGATIONS OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2016A BONDS AND TO MAKE INSTALLMENT PAYMENTS ARE IRREVOCABLE OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM DISTRICT NET REVENUES BUT DO NOT CONSTITUTE OBLIGATIONS OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATIONS OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2016A BONDS AND TO MAKE INSTALLMENT PAYMENTS DO NOT CONSTITUTE DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

## **Rate Covenants**

The Indenture and the 2016B Installment Purchase Agreement require the District: (a) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Water System; and (b) to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water System Revenues or Net Wastewater System Revenues, as applicable, from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of the Indenture and the 2016B Installment Purchase Agreement.

For avoidance of doubt, so long as the District has complied with its obligations set forth in (a) and (b) above, the failure of Net Water System Revenues or Net Wastewater System Revenues to meet the thresholds set forth in (a) or (b) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with (a) and (b) at the commencement of the succeeding Fiscal Year.

Any Policy Costs due and owing shall be treated as Operation and Maintenance Costs.

## **Additional Indebtedness**

The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance with the Indenture and the 2016B Installment Purchase Agreement; provided:

(i) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year; and

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service and Wastewater Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and Wastewater Service and

which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in the Indenture and the 2016B Installment Purchase Agreement, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

#### **Reserve Fund for 2016A Bonds**

\_\_\_\_\_ has made a commitment to issue, simultaneously with the initial execution and delivery of the 2016A Bonds, the 2016A Reserve Surety Policy in the amount of \$\_\_\_\_\_ (the “2016A Reserve Requirement”) for deposit in the Reserve Fund, effective as of the date of issuance of the 2016A Bonds. Under the terms of the 2016A Reserve Surety Policy, \_\_\_\_\_ will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2016A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the District.

See Appendix B—“DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” under the caption “REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST—Reserve Fund” for further information with respect to the 2016A Reserve Surety Policy.

#### **Reserve Fund for 2016B Certificates**

\_\_\_\_\_ has made a commitment to issue, simultaneously with the initial execution and delivery of the 2016B Certificates, the 2016B Reserve Surety Policy in the amount of \$\_\_\_\_\_ (the “2016B Reserve Requirement”) for deposit in the Reserve Fund, effective as of the date of issuance of the 2016B Certificates. Under the terms of the 2016B Reserve Surety Policy, \_\_\_\_\_ will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest with respect to the 2016B Certificates that becomes due for payment but shall be unpaid by reason of nonpayment by the District.

See Appendix B—“DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” under the caption “REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST—Reserve Fund” for further information with respect to the 2016B Reserve Surety Policy.

### **BOND INSURANCE**

*The information under this caption has been prepared by \_\_\_\_\_ for inclusion in this Official Statement. Neither the District nor the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy (as such term is defined below) and reference is made to Appendix H for a specimen of the Policy.*

[TO COME FROM BOND INSURER]

## **THE EL DORADO IRRIGATION DISTRICT**

### **General**

The District is a California irrigation district organized in 1925 under the provisions of the Irrigation District Law. The District has the powers under the Irrigation District Law to, among other things, provide water, sewer, electricity, and water-related recreation services within its service area. In connection therewith, the District has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities or services furnished and to incur indebtedness.

The District is the major water supplier located on the western slope of the Sierra Nevada Mountains in El Dorado County, midway between the cities of Sacramento and South Lake Tahoe, generally along the Highway 50 corridor. The contiguous service area of the District spans approximately 220 square miles and includes a variety of urban, suburban, and rural communities and land uses. The District operates over 1,298 miles of water pipe, 27 miles of ditches, 5 water treatment plants, 4 sewage treatment facilities, 628 miles of sewer lines, 61 lift stations, 36 storage and regulating reservoirs and 38 pump stations. The District provides water, and wastewater, and recycled water services to customers within the District, provides recreation services to the public, and sells hydroelectric power on the wholesale market.

The District provides water service to approximately 40,028 agricultural, domestic, commercial, and industrial accounts in several of the developed areas within the District's boundaries, including Cameron Park, Camino, Diamond Springs, El Dorado, El Dorado Hills, Placerville, Pollock Pines, Shingle Springs and other communities.

The District provides wastewater treatment, disposal, and reclamation services to approximately 21,620 domestic, commercial and industrial accounts in the suburban areas of Cameron Park, Diamond Springs, El Dorado, El Dorado Hills and Shingle Springs, recycled water to approximately 4,916 accounts in El Dorado Hills and operates satellite wastewater disposal systems in Camino Heights and Gold Ridge Forest.

The District also operates the Sly Park Recreation Area at Jenkinson Lake, one of the District's main reservoirs. The Sly Park Recreation Area includes 600 surface acres for water activities, 10 picnic areas, 9 miles of shoreline, 2 boat ramps, and 191 individual and 9 group campsites. There are also 9 miles of hiking and equestrian trails.

The District also owns and operates a 21 megawatt hydroelectric generation project licensed by the Federal Energy Regulatory Commission ("FERC") which consists of 4 reservoirs (Echo Lake, Lake Aloha, Caples Lake and Silver Lake), dams, a forebay, a penstock, a powerhouse, and approximately 22 miles of flumes, canals, siphons, and tunnels located through the Sierra Nevada Mountains east of Placerville in the counties of El Dorado, Alpine, and Amador. The District acquired the project from Pacific Gas & Electric ("PG&E") in 1999. The District operates the hydroelectric facilities, including recreational features, incidental to delivery of water through the Water System and sells power generated from such hydroelectric facilities on the wholesale market.

### **Service Area**

The District currently encompasses a service area of approximately 220 square miles, which constitutes approximately 13% of the total area of El Dorado County. A small portion of the western end of the District extends into Sacramento County. The population of the service area of the District is approximately 113,900, accounting for approximately 62% of the total population of El Dorado County of 184,452 according to the United States Census Bureau, estimated as of July 1, 2015.

The District was formed in 1925 to provide domestic water to the City of Placerville, and domestic and irrigation water to local farmers. Over the years, the District has grown by annexation. From 1993 to 2015, the District has annexed approximately 9,910 acres to its service area, which now covers approximately 220 square miles. Territory annexed and served is required to contribute a local distribution system and to pay charges to finance District transmission, distribution, treatment and storage facilities, and to pay the annexation fee of the District. The fee is based on the current secured land assessed value of the property multiplied by the current ten-year average tax rate for the voter approved debt of the District. For example, a property with a land assessed value of \$100,000 would currently be charged an annexation fee of \$1,000.

As required by state law, the Local Agency Formation Commission (“LAFCO”) in El Dorado County has established a “sphere of influence” for the District, which defines the area which may be annexed to the District. The land area between the present service area and the sphere of influence boundary is approximately 156 square miles, making the total sphere of influence of the District approximately 376 square miles. There is no assurance that LAFCO will approve future proposed annexations unless the District verifies adequacy of existing and future water sources. See the caption “—Certain Factors Affecting Growth” below for a discussion of certain voter approved initiatives which affect development of property within portions of the District.

**Governance and Management**

The District is governed by a 5-member board of directors (the “Board of Directors”), the members of which are elected from separate divisions of the District for staggered 4-year terms. The current Board of Directors members, the expiration dates of their terms, and their occupations are set forth below:

<i>Board of Directors Member</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Bill George, President	December 2016	Retired IBM Engineer Management
George W. Osborne, Vice President	December 2016	Retired Senior California Department of Forestry (CDF) Official
Alan Day	December 2016	Landscape and Irrigation Designer/Contractor
Dale Coco, M.D.	December 2018	Retired Physician
Greg Prada	December 2018	Retired Healthcare Executive

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume of the General Manager:

James M. Abercrombie began his tenure as El Dorado Irrigation District General Manager on September 8, 2009. Prior to his current position, he was General Manager of the Amador Water Agency in Amador County, just south of El Dorado County. Mr. Abercrombie has more than 30 years of management experience, including 11 years at Amador Water Agency and 20 years with Pacific Gas and Electric Company (“PG&E”). His last position with PG&E was El Dorado District Manager, from 1987 to 1998. A long-time El Dorado County resident, he is currently on the Board of Directors of the Marshall Medical Foundation, past president of the Placerville Rotary Club, past president of the El Dorado County Chamber of Commerce, El Dorado County Development Corporation, and El Dorado County United Way and past chair of the El Dorado Leadership Program. A registered civil engineer, Mr. Abercrombie earned his engineering degree from Santa Clara University and his master’s degree in business administration from that university’s Leavey School of Business.

**Employees and Employee Benefits**

The District contributes to the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan, on behalf of 215 budgeted full-time equivalent employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities

within the State, including the District. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 Q Street, Sacramento, California 95811.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The District currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the District's unfunded actuarial liability. For Fiscal Year 2015, the District's CalPERS contribution was \$4,441,474, which was equal to the annual required contribution (the "ARC") described below. For Fiscal Year 2016, the District's CalPERS contribution is estimated to be \$5,043,139, assuming budgeted salaries and a contribution rate of 29.443% of annual covered payroll, which is equal to the ARC. The contribution rate for Fiscal Year 2017 has been established at 31.100% of annual covered payroll.

Participants are required to contribute 6.25%-8.00% of their annual covered salary under the CalPERS plan.

The District had an unfunded accrued liability of \$46,727,501 as of June 30, 2014, based on the market value of assets of \$88,732,644 as set forth in the most recent actuarial report prepared by CalPERS.

On September 12, 2012, the Governor of the State signed Assembly Bill 340 ("AB 340"), which implements pension reform in the State. Effective January 1, 2013, AB 340 provides in part as follows: (i) requires public retirement systems and their participating employers to share equally with employees by January 1, 2018 the normal cost rate (as described below) for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period. The Board of Directors approved a letter of understanding with the Association of El Dorado Irrigation District Employees, creating a separate tier of CalPERS pension benefits for employees hired after January 1, 2013 to comply with AB 340's compulsory reduced formula. Benefit provisions and all other requirements are established by State statute and the Board of Directors.

Under Government Accounting Standards Board Statement No. 27, an employer reports an annual pension cost equal to the ARC plus an adjustment for the cumulative difference between the annual pension cost and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation and may be positive or negative. The ARC for Fiscal Year 2015 was determined by an actuarial valuation of the plan as of June 30, 2014. The ARC for fiscal year 2016 was determined by an actuarial valuation of the plan as of June 30, 2015.

The staff actuaries at CalPERS annually prepare an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is delivered. The actuarial valuations express the District's required contribution rates in percentages of covered payroll, which percentages the District must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared. CalPERS rules require the District to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans. This includes two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among



others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the District owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the CalPERS plans at the end of the fiscal year (which assumes, among other things, that the rate of return during that fiscal year equaled the assumed rate of return, currently 7.5%). The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies changed significantly in 2004 and 2005, affecting the Actuarial Value calculation beginning in fiscal year 2007.

On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used to determine employer contribution rates. CalPERS changed the inflation assumption from 3% to 2.75% effective July 1, 2012. The change will impact the inflation component of the annual investment return assumption and the long term payroll growth assumption as follows:

- The annual assumed investment return will decrease from 7.75% to 7.5%.
- The long term payroll growth assumption will decrease from 3.25% to 3%.
- The inflation component of individual salary scales will decrease from 3.25% to 3%.

Although the impact of the above changes is not yet clear, they may result in increases in contribution levels. The reduction in the inflation assumption, however, could partially mitigate increases, if any, in the District's required annual contributions resulting from the reduction in the assumed investment rate of return, as described above.

In April 2005, the CalPERS Board adopted new policies aimed at stabilizing rising employer costs. These policies were used to set employer contribution rates for the District beginning in fiscal year 2007. These policies include:

- Spreading CalPERS market value asset gains and losses over 15 years rather than three years.
- Widening the "corridor" limits for establishing the actuarial value of assets from 90% to 110% of market value to 80% to 120% of market value (except for the 3-year phase-in of investment losses from fiscal year 2009, as described below).
- Establishing a rolling 30-year amortization on all remaining net unamortized gains or losses, instead of amortizing 10% of the net unamortized gain or loss each year pursuant to prior policy. Such an amortization schedule results in approximately 6% of unamortized gains and losses each year. Due to the excess of accrued liability over actuarial value of plan assets, the amortization payment of the total unfunded liability may be higher than the payment calculated over a 30-year amortization period.
- Requiring a minimum employer contribution rate equal to the employer normal costs minus a 30-year amortization of surplus (but not less than 0%).

Pursuant to the April 2005 policy change, multiple amortization bases (including those for benefit improvement or changes in actuarial methods or assumptions, which are typically less than 30 years) were combined into a single base (the gain and loss bases) and amortized over a rolling 30-year period to effect a

“fresh start” as of June 30, 2004. The April 2005 policy did not affect other existing amortization bases for benefit improvements, assumptions changes and method changes.

Due to significant market investment losses of approximately 24% in the CalPERS trust fund for fiscal year 2009, CalPERS implemented a 3-year phase-in of the fiscal year 2009 investment loss. This phased in approach will be achieved by temporarily relaxing the constraints on the smoothed value of assets around the actual market value. The corridor will be widened and then contracted as follows:

- Increase the corridor limits from 80% to 120% of market value to 60% to 140% of market value to determine the actuarial value of assets for the June 30, 2009 valuation, which impacts the fiscal year 2012 contribution rate.
- Reduce the corridor limits from 60% to 140% of market value to 70% to 130% of market value to determine the actuarial value of assets for the June 30, 2010 valuation, which impacts the fiscal year 2013 contribution rate.
- Return to the 80% to 120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter, which impacts contribution rates for fiscal year 2014 and beyond.
- Asset losses outside of the 80% to 120% corridor described above will be amortized pursuant to a fixed 30-year amortization schedule.

In addition, in February 2010, the CalPERS Board adopted a resolution requiring additional contributions for any plan or pool if the cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either:

- Increase by at least 15% by June 30, 2043; or
- Reach a level of 75% funded by June 30, 2043.

Such contributions have been factored into the District’s contribution rates set by CalPERS.

On April 17, 2013, the CalPERS Board of Administration approved a plan: (i) to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS’ Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding and more transparency to employers such as the District about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS’ Fiscal Year 2008-09 market losses described above) of the District’s plans in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes will be reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter.

The following table summarizes the District’s annual required contributions for Fiscal Years 2011 through 2015:

<i>Fiscal Year</i>	<i>Employer Contribution</i>	<i>Annual Pension Cost</i>	<i>Percentage of Annual Pension Cost Contributed</i>
2011	\$2,974,424	\$2,974,424	100%
2012	3,530,559	3,530,559	100
2013	3,962,220	3,962,220	100
2014	4,132,624	4,132,624	100
2015	4,441,474	4,441,474	100

The following table sets forth the schedule of funding for the District plan as a whole as of October 2015. The employer contribution rate for Fiscal Year 2015 is 27.110%.

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/11	\$110,172,862	\$67,336,094	\$42,836,768	61.1%	\$16,267,727
06/30/12	114,401,830	66,883,256	47,518,574	58.5	15,637,005
06/30/13	121,108,702	75,812,634	45,296,068	62.6	16,063,714
06/30/14	135,460,145	88,732,644	46,727,501	65.5	15,945,621

Source: CalPERS Actuarial Report Dated June 30, 2015.

For additional information relating to the District plan, see Note 6 to the District’s audited financial statements for Fiscal Year 2015 attached hereto as Appendix A.

CalPERS reported significant investment losses in 2009, which accounts for a portion of the increase in the District’s unfunded actuarial liability from June 30, 2008 to June 30, 2009. In addition, the increase in the District’s unfunded actuarial liability is attributable to CalPERS studies performed in fiscal year 2009 and the adjustment of assumptions made by CalPERS valuations for age at retirement, years of service, mortality rates, and certain other assumptions. CalPERS earnings reports for fiscal years 2012, 2013, and 2014 report an investment gain in excess of 0.1%, 13.2%, and 17.7%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District.

The Governmental Accounting Standards Board recently published Statement No. 45 (“GASB 45”), requiring governmental agencies that fund post-employment benefits on a pay as you go basis, such as the District, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. For the District, the reporting obligation began in fiscal year 2008. The District retained Total Compensation Systems, Inc., Consulting Actuary, Westlake Village, California (the “Actuarial Consultant”) to calculate the District’s post-employment benefits funding status. In an actuarial analysis dated January 29, 2016 (the “Report”), the Actuarial Consultant concluded that, as of July 1, 2015, the most recent actuarial valuation date, the District’s unfunded actuarial accrued liability for post-employment benefits was \$27,530,655. The Actuarial Consultant also concluded that the District’s ARC for 2015 was \$1,972,835. While requiring the District to disclose the unfunded actuarial accrued liability and the ARC in its financial statements, GASB 45 does not require the District to amortize the ARC.

On October 24, 2011 the District approved joining the California Employers’ Retiree Benefit Trust Fund (“CERBT”) and use it as the means to begin prefunding a portion of future retiree healthcare costs. CalPERS offers the CERBT, which is an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit costs. The CERBT was formed in March 2007 and is administered by CalPERS. CERBT is a constitutional and statutory retirement benefit trust. As trustee of the fund, the CalPERS Board has exclusive fiduciary responsibility over assets in the

CERBT, and the duty to administer the fund for the exclusive benefit of participants in a manner assuring delivery of benefits and services at reasonable cost. In order to take advantage of CalPERS expertise, the CalPERS Board designated that the funds be managed by its internal investment staff assisted by contracted investment advisors.

For calendar year 2015, the District paid \$1,280,796 with respect to post-employment benefits. For calendar year 2016, the District has budgeted \$1,331,327 with respect to post-employment benefits, which is less than the ARC. The District treats all payments to the CERBT as Operations and Maintenance Costs. The District currently does not expect that any increased funding of post-employment benefits in the future will have a material adverse effect on the ability of the District to make payments of principal of and interest on the 2016A Bonds and the District's ability to make Installment Payments under the 2016B Installment Purchase Agreement.

For additional information relating to the District's post-employment benefits other than retirement, see Note 7 to the District's audited financial statements for Fiscal Year 2015 attached hereto as Appendix A.

### **Budget Process**

The District utilizes a biennial budgeting process. The proposed biennial budget is prepared by District staff and reviewed by the Board of Directors at several public meetings beginning in October of the prior fiscal year. By December 31, the Board of Directors approves a final budget for the next two fiscal years. The Board of Directors also conducts a mid-cycle review and adjusts the budget at such time as necessary. The District adopted a final budget for Fiscal Year 2016 on November 9, 2015.

An independent auditor annually audits all District funds by June 30 of the following fiscal year. The District annually submits a Comprehensive Annual Financial Report ("CAFR") to the Government Finance Officers Association of the United States and Canada for review. The District has annually received the Government Finance Officers Association Award for Excellence in Financial Reporting since 1996.

### **District Property and Liability Insurance**

The District manages risk exposure by using a combination of commercial insurance, self-insurance and contractual risk transfer to protect the assets of the District.

The District currently carries the following types of commercial insurance on its general district and hydroelectric operations:

#### General District and Hydroelectric Project 184 Liability Coverage:

- Commercial General Liability, including dam failure liability: \$11,000,000 per occurrence and \$13,000,000 aggregate
- Management Liability coverage: Wrongful Acts, Employment Practices, and Employee Benefit Plans: \$11,000,000 per occurrence, and \$13,000,000 aggregate
- Automobile liability for owned, non-owned and hired autos with an \$11,000,000 combined single limit. Automobile physical damage coverage on scheduled high-value vehicles, subject to a \$1,000 deductible.

#### General District Property Coverage (Excluding Hydroelectric Project 184 Property):

The District carries Commercial Property coverage on 117 general District premises, including buildings and contents. The coverage is an all risk property insurance policy subject to certain exclusions. The carrier's A.M. Best Rating is A/XV. The Schedule of Properties has a total insured value of

\$109,321,491. Premises coverage limits are applied on a blanket basis. Earthquake losses are excluded. Equipment breakdown/boiler and machinery coverage are included in the blanket limit.

Coverage includes:

- Loss of Income: \$3,000,000
- Mobile Equipment Scheduled Limit: \$708,532
- Flood coverage for Flood Zone X: \$1,000,000 each occurrence, \$1,000,000 annual aggregate
- Crime coverage with the following limits:
  - o Employee theft: \$250,000 per occurrence
  - o Forgery or Alteration: \$250,000 per occurrence
  - o Inside the Premises – theft of money & securities: \$250,000 per occurrence
  - o Inside the Premises – robbery/safe burglary: \$5,000 per occurrence
  - o Outside the Premises: \$250,000 per occurrence
  - o Computer Fraud and Money Orders: \$100,000 per occurrence
- Funds Transfer Fraud: \$25,000 per occurrence

Hydroelectric Project 184 Property Coverage:

The District carries Commercial Property coverage on 9 Hydroelectric Project 184 premises, including buildings, contents, and flumes. The carrier's A.M. Best Rating is A/XV. Coverage is an all-risk property insurance policy subject to certain exclusions, with a total scheduled value of \$96,586,827. The policy has a per occurrence loss limit of \$50,000,000, subject to a \$50,000 deductible. Coverage for boiler and machinery/equipment breakdown is included. The business interruption coverage has a limit of \$7,249,289, subject to a monthly cap of 120% of reported values, with a 15-day waiting period for non-generating locations and a 30-day waiting period for the hydroelectric plant. Flood and earth movement coverage is also included and each carry an annual aggregate limit of \$10,000,000 with a deductible of 5% of total insurable values at the location of loss, subject to a \$250,000 minimum/\$1,000,000 maximum per occurrence. Canals (excluding earthen), diversion dam, flumes, spillway, penstock, and surge tank have a \$10,000,000 per occurrence loss limit, also subject to a \$50,000 deductible.

In addition to insurance bought on the commercial market, the District has created a \$1,000,000 insurance reserve fund for insurance deductibles, unexpectedly large claims, or judgments that are not covered by insurance.

### **Other Outstanding Revenue Obligations**

*Pre-Existing Obligations.* The State Water Resources Control Board, through the State Revolving Fund Loan Program, provides low interest loans for clean water and drinking water projects to localities that operate water facilities throughout the State of California. The State Revolving Fund is funded through federal and state appropriations, along with loan repayments. The District has entered into nine State Revolving Fund loans to finance the lining and covering of reservoirs as mandated by the State Department of Public Health in the outstanding aggregate amount of approximately \$10,185,082, which bear interest at rates ranging from

2.32% to 2.60%. The District has implemented a water rate surcharge that is collected for debt service payments on these loans. The State Revolving Fund loans are pre-existing indebtedness payable from Net Revenues senior to the Installment Payments (“Pre-Existing Obligations”).

**Parity Payments.** The obligations of the District to pay principal of and interest on the 2016A Bonds and to make Installment Payments under the 2016B Installment Purchase Agreement are payable from District Net Revenues after Pre-Existing Obligations in the aggregate principal amount of approximately \$10,185,082, and on a parity with, after the refunding described under the caption “PLAN OF FINANCE—The Refunding Plan,” approximately \$306,433,241 aggregate principal amount payments due on Contracts arising from: (i) installment payments in the current outstanding aggregate principal amount of \$110,705,000 under the Installment Purchase Agreement – Variable Rate, dated as of March 1, 2008, by and between the District and the Corporation (the “2008 Installment Purchase Agreement – Variable Rate”), (ii) installment payments, after the refunding described under the caption “PLAN OF FINANCE—The Refunding Plan,” in the current outstanding aggregate principal amount of \$12,130,000\* under the Installment Purchase Agreement – Fixed Rate, dated as of August 1, 2008, by and between the District and the Corporation; (iii) installment payments in the current outstanding aggregate principal amount of \$14,755,000 under the Installment Purchase Agreement – Fixed Rate, dated as of February 1, 2010, by and between the District and the Corporation; (iv) the obligation of the District to make debt service payments on the District’s 2012A and 2012B Bonds in the current outstanding aggregate principal amount of \$48,935,000 and \$1,205,000, respectively; (v) the obligation of the District to make debt service payments on the District’s 2014 Bonds in the current outstanding aggregate principal amount of \$114,705,000; (vi) the obligation of the District to make certain payments under the Credit Facility Agreement described below; and (vii) payments under the DPH Contract described below (collectively, the “Parity Payments”).

The District entered into a Letter of Credit Reimbursement Agreement, dated April 6, 2011, with Citibank, N.A. (as amended to the date hereof, the “Credit Facility Agreement”) pursuant to which an irrevocable, direct-pay Letter of Credit of Citibank, N.A. (“Citibank”) is outstanding to support the Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A (the “2008 Certificates”) secured by the installment payments due under the 2008 Installment Purchase Agreement – Variable Rate. Amounts payable to Citibank under the Credit Facility Agreement are payable from Net Revenues on a parity with the District’s obligation to pay principal of and interest on the District’s Refunding Revenue Bonds, Series 2012A and the District’s Refunding Revenue Bonds, Series 2012B (Taxable).

Under the Credit Facility Agreement, the District is required to reimburse Citibank for any amount paid by Citibank on the same day such amount is paid. Amounts owed to Citibank bear interest at a specified rate. The District is also required to pay certain fees to Citibank, including establishment, facility, drawing and transfer fees, in addition to Citibank’s costs, expenses and certain taxes.

In the event that there is a drawing on the Credit Facility Agreement to purchase any 2008 Certificates which are tendered for purchase by the holders thereof, the Credit Facility Agreement provides that Citibank becomes the holder of such obligations (“Bank Bonds”). The District is required to repay such Bank Bonds over a period that is less than the remaining term to maturity of the 2008 Certificates, at an increased interest rate.

The Credit Facility Agreement contains a number of covenants and agreements on the part of the District, and specifies events of default (which includes the failure of the District to maintain a credit rating at a specified level), and remedies. Citibank’s remedies include the right to cause a mandatory tender of the 2008 Certificates. The obligations of the District pursuant to the Credit Facility Agreement are payable on a parity with the 2008 Certificates.

The term of the current Credit Facility Agreement expires on February 5, 2017, unless further extended in accordance with its terms. If the Credit Facility Agreement expires and the District is unable to

---

\* Preliminary; subject to change.

secure a replacement credit facility agreement, the 2008 Certificates will be subject to mandatory tender for purchase by the holders thereof upon such expiration. In addition, the Credit Facility Agreement will be drawn upon to pay the purchase price of such tendered 2008 Certificates.

From time to time rating agencies change the ratings of banks that have issued credit facility agreements. In the event that Citibank's rating is reduced, such reduction may result in the 2008 Certificates bearing interest at a higher than projected interest rate or result in the downgrade of the rating of the 2008 Certificates, or both. Under the Credit Facility Agreement, the maximum annual interest rate payable by the District is 12%.

Moody's has recently upgraded banks which have executed and issued credit facility agreements. Some banks that have issued credit facility agreements, including Citibank, are currently undergoing credit reviews by Moody's and Standard & Poor's. There can be no assurance that rating reductions or other factors perceived to have an effect on, or to reflect, the credit quality of Citibank which have occurred or which occur in the future will not result in a material increase in interest payments on the 2008 Certificates.

In June 2007, the District entered into a Funding Agreement (Bass Lake Tanks) (the "DPH Contract") with the State of California Health and Human Services Agency, Department of Health Services (now renamed the Department of Public Health) ("DPH") to obtain a 2.4517% per annum interest rate loan in an aggregate principal amount not to exceed \$8,248,000 to finance the construction of a project that enables the District to meet safe drinking water standards established pursuant to the California Code of Regulations (Chapter 154 of Division 4 of Title 22). In October 2008, the District received a disbursement of \$5,873,746 pursuant to the DPH Contract, which represents the approved costs of construction of the project. The loan will be payable in semiannual installments of \$186,655 over a twenty year period and will be payable from Water System Revenues on a parity with the obligation to make payments of principal of and interest on the 2016A Bonds and to make Installment Payments under the 2016B Installment Purchase Agreement.

### **1% Property Tax Revenues**

The County levies a 1% ad valorem property tax on behalf of all taxing agencies in the County, including the District. The taxes collected are allocated to taxing agencies within the County, including the District, on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions, which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than countywide or less than citywide special districts.

For 2015, the allocation received by the District of the 1% ad valorem property tax (the "Property Tax Revenues") was \$10,715,130, compared to \$10,026,368 in 2014. Property Tax Revenues as a percentage of the total revenues of the District averaged 13% over the last five years.

From time to time legislation has been considered as part of the State budget to shift the Property Tax Revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the State fiscal year 1992-93 budget shifted approximately 35% of many special districts' shares of the countywide 1% ad valorem property tax, the share of the countywide 1% ad valorem property tax allowable to multi-county special districts, such as the District, was exempted. The State fiscal year 2004-05 budget reallocated additional portions of the special districts' shares of the countywide 1% ad valorem property tax, shifting a portion of the Property Tax Revenues collected by the County from special districts to school districts. As a result of the State fiscal year 2004-05 budget, the District lost approximately \$10,400,000 of Property Tax Revenues, cumulatively, over State fiscal years 2004-05 and 2005-06. Pursuant to the State fiscal year 2004-05 budget, such Property Tax Revenues reverted to the District in State fiscal year 2006-07, however, the Property Tax Revenues lost in State fiscal years 2004-05 and 2005-06 were not refunded to the District.

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State of California may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how Property Tax Revenues are shared among local governments without a gubernatorial declaration of severe State fiscal hardship and two-thirds approval of both houses of the State Legislature.

In State fiscal year 2009-10, the State shifted to schools and community colleges a limited amount of local government Property Tax Revenues after certain conditions were met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. No additional shifts may occur until the State repays the 2009-2010 shift. The District participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and as a result received the funds shifted, without interest, in two installment payments in January and May 2010. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On November 2, 2010, California voters approved Proposition 22, which amended the State Constitution to forbid the temporary shifting of property taxes from local governments to schools that Proposition 1A previously restricted, but allowed.

Notwithstanding Proposition 22, there can be no assurance that the Property Tax Revenues the District currently expects to receive will not be reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of Property Tax Revenues by the District. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Pledge of Net Revenues” for a discussion of the extent to which Property Tax Revenues are available to make payments of principal of and interest on the 2016A Bonds and to make Installment Payments under the 2016B Installment Purchase Agreement.

The District currently allocates Property Tax Revenues among the Water Fund and the Sewer Fund on a year-to-year basis. The District allocated Property Tax Revenues for the calendar year ended December 31, 2015 in the following manner:

**El Dorado Irrigation District  
1% Property Tax Revenue Allocations By Fund and Purpose  
Calendar Year Ended December 31, 2015**

<i>Fund</i>	<i>Allocation of Total Property Tax Revenues</i>	<i>Percentage of Allocation By Funding Purpose</i>
Water Fund	\$6,429,078	60%
Sewer Fund	4,286,052	40

For the projected allocation of Property Tax Revenues for Fiscal Year 2016 see the tables under the captions “THE WATER SYSTEM OF THE DISTRICT—Projected Operating Results and Debt Service Coverage” and “THE WASTEWATER SYSTEM OF THE DISTRICT—Projected Operating Results and Debt Service Coverage.”

**Assessed Valuations, Tax Collections and Tax Delinquencies**

The following table shows the secured assessed valuation, tax collections and rate of tax collections within the County and the amount received by the District of the 1% property tax during the five most recent State fiscal years (ending June 30). As a result of the implementation of the tax distribution system commonly



referred to as the “Teeter Plan” by the County of El Dorado and the participation by the District beginning in July 1984, the District receives 100% of its share of the 1% property tax levies without regard to delinquencies. There can be no assurance that the Teeter Plan or the participation of the District therein will be continued indefinitely.

**El Dorado County  
Secured Assessed Valuation and Tax Collection Record  
County Fiscal Years Ended June 30, 2011 through June 30, 2015**

<i>Fiscal Year</i>	<i>Total Secured Assessed Valuation</i>	<i>Secured Property Tax Levy</i>	<i>Taxes Collected</i>	<i>Rate of Tax Collections</i>	<i>District Allocations in Corresponding Calendar Year<sup>(1)</sup></i>
2015	\$26,253,588,168	\$311,387,894	\$307,204,855	98.66%	\$9,954,542
2014	24,954,567,951	298,952,871	294,792,848	98.61	9,321,650
2013	24,689,035,685	297,048,197	290,800,703	97.90	9,232,261
2012	24,803,113,396	296,903,045	288,311,004	97.11	9,214,769
2011	24,855,948,497	298,627,324	288,704,314	96.68	9,400,148

<sup>(1)</sup> District allocation based on County Fiscal Year ended June 30: differs from property tax shown under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Historic Operating Results and Debt Service Coverage,” which is based on District Fiscal Year ended December 31.

Source: El Dorado County Auditor-Controller for Total Secured Assessed Valuation, Secured Property Tax Levy, Taxes Collected and Rate of Tax Collections; El Dorado Irrigation District for District Allocations.

Secured assessed valuation for the County of El Dorado for State fiscal year 2015, as reported by the County of El Dorado, is \$26,253,588,168, a 5.2% increase over the prior year. There can be no assurance that secured assessed valuation for the County of El Dorado will not be reduced in the future.

**Ad Valorem Tax**

The District collects voter-approved assessments levied jointly with property taxes in connection with debt service upon general obligation bonds of the District issued in 2003. Ad valorem assessments collected by the District are not pledged to the payment of the Installment Payments.

**Certain Factors Affecting Growth**

**Measure Y Traffic Control Initiative.** The Measure Y Traffic Control Initiative is an amendment to the El Dorado County General Plan, which, among other things, prevents the use of county tax revenues for the mitigation of traffic impacts caused by new development and requires developer-financed traffic impact mitigation improvements as a condition of new development. Passage of this measure in November 1998 has changed the planning associated with new subdivision growth in the County and the District. The County Board of Supervisors (the “County Board”) adopted an interpretation of the meaning and effect of Measure Y and incorporated such interpretation in its 2006 General Plan. Among the immediate impacts of Measure Y was a substantial increase in traffic impact fees paid as a condition of new development. In 2008, voters approved a modified version of Measure Y that added the following policies to the County General Plan: (i) the establishment of minimum service levels on roads in unincorporated areas of the County as a precondition to the approval of new subdivision maps; (ii) a requirement that new development fully fund roadway capacity improvements needed to offset traffic impacts; and (iii) a requirement that voters approve the expenditure of County tax revenues to pay for road capacity improvements to mitigate impacts of new development.

**Measure E Traffic Control Initiative.** In 2014, Measure Y proponents circulated and qualified another traffic-control ballot initiative for the County’s November 2014 general election. On August 26, 2014, the County Board ordered that the initiative be placed on the ballot of the next statewide election, and on

February 23, 2016, the County Board adopted a resolution placing the initiative, identified as Measure E, on the ballot for the June 7, 2016 statewide Presidential Primary election. On June 7, 2016, voters narrowly approved Measure E.

The ballot initiative, titled “Initiative to Reinstate Measure Y’s original intent – no more paper roads,” revises the policies contained in the County General Plan as follows: (i) revises an existing policy limiting traffic impacts from the development of five or more parcels to include the development of five or more units, (ii) eliminates the ability of the County Board to add to the list of roads allowed to operate at Level of Service F, (iii) requires completion of road improvements necessary to prevent cumulative traffic impacts of new development from reaching Level of Service F during peak hours before the County grants any form of discretionary approval to a covered project, (iv) adds a policy prohibiting the use of County tax revenues to pay for building road capacity improvements to offset traffic impacts from new development, unless County voters first approve, (v) requires that the County condition project approval on construction of all road improvements necessary to maintain or attain Level of Service standards detailed in the County Transportation Element and eliminates the County’s ability to approve a project that worsens traffic on the County road system even when necessary road improvements are included in either the County’s 10-or 20-year Capital Improvement Program, (vi) adds a new policy requiring that the County apply mitigation fees and assessments collected for infrastructure to the geographic zones from which they originated, (vii) exempts certain improvements to existing residential infrastructure from payment of traffic impact mitigation fees and provides fee credits for other improvements, and (viii) mandates that the California Department of Transportation determine the traffic levels of service on Highway 50 on- and off-ramps and road segments and requires the County to fully accept such determinations for traffic planning purposes.

Prior to the June 7, 2016 election and pursuant to California Elections Code section 9111, the County Board, at its July 29, 2014 Board meeting, accepted the ballot initiative certification and requested a report regarding Measure E’s potential impacts on economic development, traffic impact mitigation fees, and land use/consistency with the General Plan. The County’s Chief Administrative Office issued a report concluding that Measure E will likely have a noticeable adverse impact on economic development, including the loss of jobs, limitations on the County’s ability to attract new commercial or industrial development, and the restriction of new commercial and/or industrial investment in the County.

**Advisory Measure K.** On November 7, 2000, the voters of the District approved Advisory Measure K (“Measure K”), which purports to require the District to conduct an advisory vote of ratepayers prior to incurring bonded indebtedness not secured by land. After adoption of Measure K, the District was advised by the Office of Legislative Counsel of the State that the District does not have statutory authority to hold an advisory election of ratepayers under California law. As a result, no advisory election with respect to the issuance of the 2016A Bonds or the execution and delivery of the 2016B Installment Purchase Agreement was held by the District.

## **THE WATER SYSTEM OF THE DISTRICT**

### **The Water System**

The lands within the District vary from gently rolling hills to mountainous terrain and in elevation from 500 to 4,200 feet above sea-level. The District operates its Water System within 180 distinct pressure zones. The contiguous water system of the District has three primary sources of water: FERC El Dorado Project 184 (“Project 184”) at Forebay Reservoir, Jenkinson Lake, and Folsom Reservoir. See the caption “— Water Supply.” The three sources of water all contribute to the main contiguous system and can be utilized to balance or partially balance water demands throughout the District. The District also operates small satellite water systems in the communities of Strawberry and Outingdale.

Project 184 on the South Fork of the American River historically provides one of the primary sources of water to the District, with up to 15,080 acre-feet obtained annually by the District via the Main Ditch from Forebay Reservoir. The water is gravity-conveyed to the treatment and distribution facilities of the District at

Reservoir 1 Water Treatment Plant, one of the three major water treatment facilities of the District. Water treated at this facility supplies Pollock Pines, the upper Sly Park area, and Reservoirs 2 and 2A for distribution into the Camino, Apple Hill, and Placerville areas. Water can be supplied via the El Dorado Main System and related conveyances to Cameron Park, and to El Dorado Hills via the Gold Hill Intertie. In most years, some untreated water from this supply is conveyed to Sly Park Reservoir through the District-owned Hazel Creek Tunnel to augment drinking water storage at that facility.

Since the mid-1950s, the District has obtained up to approximately 23,000 acre-feet of water annually from Jenkinson Lake located on a tributary to the Cosumnes River. Water from Jenkinson Lake is treated at the Reservoir A Water Treatment Plant. Water from Reservoir A Water Treatment Plant is routed along the southern portion of the District via the Pleasant Oak Main/Diamond Springs Main to Cameron Park. Jenkinson Lake and Reservoir A Water Treatment Plant also provide water to the north side of the District via the Camino Conduit to Reservoirs 2 and 2A; to the central and western parts of the District via El Dorado Main No. 1 and No. 2; and as far as El Dorado Hills on the western edge of the District via the Gold Hill Intertie. On the south side, Jenkinson Lake raw water is also released into Clear Creek for aesthetic purposes and for agricultural and irrigation uses in the Crawford Ditch.

The El Dorado Hills water treatment plant treats water from various sources pumped from Folsom Reservoir, including a USBR Water Service Contract for 7,550 acre-feet, in addition to two local water rights conveyed to and withdrawn from Folsom Reservoir via Warren Act Contracts. The plant serves the El Dorado Hills community. See the caption “—Water Supply” below.

## **Water Supply**

The District obtains its water supply from three primary sources and one supplemental source: (1) licensed appropriative water rights at Jenkinson Lake; (2) a long-term water service contract and two Warren Act Contracts with the United States Department of Interior, Bureau of Reclamation (the “USBR”) from Folsom Reservoir, a unit of the Central Valley Project; (3) pre-1914 water rights from the South Fork American River and Truckee River watershed, delivered to the Forebay Reservoir in Pollock Pines via Project 184; and (4) as a supplemental source, pre-1914 water rights from the North Fork Cosumnes River and Clear Creek through the Crawford Ditch. In 2015, the calculated system firm yield from the first three of these sources of water supply of the District totaled 63,500 acre-feet per year. See under the caption “—Future Water Supplies.”

***Sly Park Unit of the Central Valley Project.*** In December 2003, the District acquired the Sly Park Unit of the Central Valley Project, by discharging the former Sly Park Bureau Contract (the “Sly Park Facilities Contract”), as amended in 1961, 1972, 1975, and 1986 with the USBR and the former Sly Park Reservoir water service contract (the “Sly Park Water Contract” and together with the Sly Park Facilities Contract, the “USBR Contracts”). The District now owns, operates and receives water from these facilities consisting of the Sly Park dams and reservoir (Jenkinson Lake), Camp Creek diversion dam and tunnel, Camino Conduit, El Dorado Main Nos. 1 and 2, rights-of-way, and all appurtenances, facilities, and structures to provide water to the District. The water rights associated with these facilities are considerably in excess of the District’s maximum annual historical use from such facilities. The annual supply of Jenkinson Lake is approximately 23,000 acre-feet.

In October 1992, the President of the United States signed into law P.L. 102-575, Title 34, known as the Central Valley Project Improvement Act. The most significant impact of the legislation on the District was the establishment of the Environmental Restoration Fund, which levies a charge for water purchased under USBR Contracts. Despite the discharge of the USBR Contracts in December 2003, the District is required to continue to make payments into the Environmental Restoration Fund through 2029. For Fiscal Year 2015, the District paid \$154,564 to the USBR for deposit into the Environmental Restoration Fund in connection with the former Sly Park Water Contract. This total reflects a charge of \$20.14 per acre-foot for municipal and industrial water, and \$10.07 per acre-foot for irrigation water.

***Folsom Reservoir Water Service and Warren Act Contracts.*** Pursuant to a long-term water service contract between the District and USBR (the “Folsom Reservoir Water Service Contract”), the District can divert up to 7,550 acre-feet per year of Central Valley Project water from Folsom Reservoir to serve the El Dorado Hills area. The original Folsom Reservoir Water Service contracts were executed on October 5, 1964 and December 19, 1973, and interim contracts were executed to provide water deliveries through the year 2006. In 2006, the District and USBR executed the current long-term Folsom Reservoir Water Service Contract that consolidates the two previous contracts. The Folsom Reservoir Water Service Contract has a term of 40 years and provides the District with a right to successive renewals in accordance with its terms.

The rate for water service paid by the District to the USBR under the Folsom Reservoir Water Service Contract covers reimbursement of the capital costs of Folsom Reservoir, interest on capital costs allocated to municipal and industrial water users and operations and maintenance costs. Under the Folsom Reservoir Water Service Contract, the annual payment for capital costs of the Folsom Reservoir facilities is approximately \$17,000 per year with the final payment due in 2030. The cost paid by the District for water for municipal and industrial users in 2015 was \$15.68 per acre-foot. Additionally, the Environmental Restoration Fund charge is \$20.14 per acre-foot, resulting in a total cost per acre foot of water from the Folsom Reservoir to the District for 2015 of \$36. In Fiscal Year 2014, Environmental Restoration Fund payments to the USBR for Folsom Reservoir totaled \$58,231. For Fiscal Year 2015, the District budgeted \$250,000 for the total cost of Folsom Reservoir Water Service Contract deliveries.

In August 2010, the District and the USBR executed a long-term Warren Act Contract (the “Ditch/Weber Warren Act Contract”) to enable the District to utilize at Folsom Reservoir up to 4,560 acre-feet of water per year from four water rights formerly associated with historic District facilities. These water rights were included in the District’s system firm yield calculations for the first time in 2011. Three of the water rights are pre-1914 water rights associated with the Summerfield, Gold Hill, and Farmers Free Ditches, which are no longer operated. The fourth water right is a licensed appropriative right associated with Weber Reservoir. The term of the Ditch/Weber Warren Act Contract is 40 years, beginning March 1, 2011. Based on past experience with one-year Warren Act contracts for these supplies since 2003, the District expects the cost per acre-foot of water to be slightly less each year than the water cost under the Folsom Reservoir Water Service Contract. No Environmental Restoration Fund payments are required under the Ditch/Weber Warren Act Contract.

Additionally, the District has obtained an appropriative water right (Permit 21112) to make consumptive use of 17,000 acre-feet annually of the water previously used only for Project 184’s hydroelectric power operations. Pursuant to this right, water may be taken from Folsom Reservoir and delivered to District customers. In January 2015, the District and the USBR executed a 5-year Warren Act Contract to enable the District to utilize at Folsom Reservoir up to 8,500 acre-feet of water per year from the 17,000 acre-foot total water right. The District and USBR have continued to make progress on negotiating a long-term Warren Act Contract for the full 17,000 acre-feet and the District anticipates execution of that contract in 2016.

***Forebay Reservoir.*** The District purchased Project 184 from PG&E in October 1999 and has retained its pre-1914 rights to 15,080 acre-feet of water annually delivered by Project 184 facilities to the Forebay Reservoir (a portion of Project 184) for water supply purposes. Project 184 is located in El Dorado, Amador, and Alpine Counties; predominantly in El Dorado County within the South Fork American River watershed. Water stored in Silver, Caples, and Echo lakes and Lake Aloha is released and then diverted, along with natural river flows, into the El Dorado Canal near Kyburz and Highway 50. The El Dorado Canal conveys up to 165 cubic feet per second (“cfs”) approximately 22.5 miles to Forebay Reservoir in Pollock Pines. At the Forebay Reservoir, the District diverts up to 15,080 acre-feet per year for drinking water treatment at Reservoir 1. The balance of the flows entering Forebay Reservoir is utilized for power generation at Project 184’s El Dorado Powerhouse.

***Crawford Ditch.*** The District has pre-1914 water rights to 5,000 acre-feet of water annually for both the North Fork Cosumnes River and Clear Creek points of diversion into the Crawford Ditch, a Gold Rush era ditch. Up to 15 cfs of water can be diverted from the North Fork Cosumnes River into the ditch by a diversion

dam, and up to 15 cfs from Clear Creek by a diversion structure. Diversions are allowed from May to October on the North Fork Cosumnes River, and year-round from Clear Creek. The Reservoir 7 water treatment plant is currently incapable of treating water from the Crawford Ditch adequately and is unused. Therefore, water from Crawford Ditch is available only as raw water for irrigation and agricultural customers located along the Crawford Ditch and none of this supplemental supply is included in the District's system firm yield water supply calculations. Tail water from the Crawford Ditch also supplements the pre-1914 water rights on Squaw Hollow Creek into the East-Diamond Ditch.

**Hydroelectric Facilities.** While the District generates power sales revenue from operating Project 184, the 1999 purchase of Project 184 from PG&E was primarily undertaken to preserve the pre-1914 water rights associated with the facilities (see the caption “—Water Supply—Forebay Reservoir” above) and to facilitate the acquisition of additional water rights thereafter obtained by Permit 21112. See the captions “—Water Supply—Forebay Reservoir” and “—Future Water Supplies.”

Since acquiring Project 184, the District has repaired extensive damage to the project caused by flooding and landslides in January 1997. Water deliveries to the Forebay have been restored. Hydroelectric generation commenced in the fourth quarter of 2003. The District presently sells all hydroelectric power generated by Project 184 to PG&E pursuant to a contract executed in 2010. See the caption “—Hydroelectric Revenues.

### **California Drought and Response**

**Governor's Executive Orders.** Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through January 2014. Due to these record-dry conditions, Governor Edmund G. Brown (the “Governor”) proclaimed a drought emergency on January 17, 2014.

On April 1, 2015 the Governor of California issued an executive order (the “2015 Executive Order”) mandating, among other provisions, that the State Water Resources Control Board (“SWRCB”) impose restrictions to achieve 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 provides that the actual mandatory conservation required of each water supplier should 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 emergency 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 until February 11, 2016. Under the regulation, 411 urban water providers in the State were classified into nine tiers and assigned a required conservation standard which was 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, and required areas with high per capita water usage to achieve proportionately greater reductions in water use than those with low use. Under the regulation, compliance by the 411 urban water suppliers was 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 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 violate cease and desist orders may be subject to a civil liability of up to \$10,000 a day.

Under the adopted regulation, the District, as a retail water provider, was required to achieve a 28% reduction as compared to the District's potable water usage in 2013. See the caption "—District Drought Response Actions and Impact."

On February 2, 2016, the SWRCB approved an emergency regulation to extend and modify the reductions mandated by the 2015 Executive Order through October 31, 2016. The regulation became effective immediately upon approval by the Office of Administrative Law on February 11, 2016. The new regulation left the general framework of the regulations implementing the 2015 Executive Order intact, but provided credits and adjustments to the mandated conservation targets based on climate and recognition of significant investments made to create local, drought-resilient sources of potable water. Based upon such credits, the District's mandatory conservation target fell from 28% to 24%.

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 such as the District to develop conservation standards based upon each urban water supplier's specific circumstances and replaces the prior percentage reduction-based water conservation standard described above.

While reductions in water usage resulting from implementation of the SWRCB regulation may adversely affect the District's projected operating results set forth under the caption "Water System Financial Information — Projected Operating Results and Debt Service Coverage," the District does not currently believe that such reductions, if achieved by the District, will have a material adverse effect on the District's ability to make payments of principal of and interest on the 2016A Bonds and to make Installment Payments under the 2016B Installment Purchase Agreement. The District is obligated under the Indenture and the 2016B Installment Purchase Agreement to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for its Water Service which will be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty five percent (125%) of Debt Service for such Fiscal Year as more particularly described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES — Rate Covenant." The ability of the District to modify its current rate structure could, however, be limited by certain California Constitutional provisions, including but not limited to Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES."

See the caption "—District Drought Response Actions and Impact" for actions taken by the District in response to the drought, the 2015 Executive Order and the SWRCB regulation.

***District Drought Response Actions and Impact.*** In view of the dry weather from 2012 through the early part of 2014, the District's Board of Directors declared a drought emergency and approved a Stage 2 water warning (the "Stage 2 Water Warning") at a special meeting on February 4, 2014. The District maintained the drought emergency and Stage 2 Water Warning through 2014, and the Board of Directors modified and reaffirmed the Stage 2 Water Warning after the 2015 Executive Order and issuance of the SWRCB's mandatory water conservation regulations in 2015. Pursuant to the Stage 2 Water Warning, the District implemented certain voluntary and mandatory actions as specified in its Drought Action Plan, intended to achieve a 30% reduction below normal water usage. As a result of the Stage 2 Water Warning, District staff made certain adjustments to its projected water deliveries, projected water sales revenues, projected recycled water revenues and projected hydroelectric revenues which were contained in the previously approved Fiscal Year 2014 Budget, and to the 2015-2016 biennial budget adopted on December 8, 2014. For information on actual deliveries and sales revenues in Fiscal Years 2014 and 2015, see the captions "—Historic Water

Deliveries,” “—Historic Water Sales Revenues,” “—Hydroelectric Revenues” and “THE WASTEWATER SYSTEM OF THE DISTRICT—Historic Wastewater Service Charge Revenues” and “THE WASTEWATER SYSTEM OF THE DISTRICT—Historic Recycled Water Service Charge Revenues” below.

In 2014, after declaring a drought emergency and a Stage 2 Water Warning, potable water usage in the District was reduced by 20% compared to usage during 2013. In 2015, after issuance of the 2015 Executive Order and mandatory conservation requirements, potable water usage in the District was reduced by 30% compared to 2013. As of May 9, 2016, potable water usage for the previous 12 months in the District was reduced by 31% compared to 2013. Thus, the District has met all SWRCB compliance requirements and conservation targets.

On March 28, 2016, at its regular Board meeting, the District’s Board of Directors adopted Resolution No. 2016-010, ending the District’s previously declared drought emergency, in light of improved water supply conditions in the District’s water supply reservoirs. On May 9, 2016, the Board adopted a subsequent resolution ending its Stage 2 Water Warning. Pursuant to the 2016 SWRCB Regulation, the District must file a conservation standard with the SWRCB by June 22, 2016, including data and underlying analyses used by the District to determine the conservation standard and to demonstrate compliance with certain substantive requirements of the 2016 SWRCB Regulation. The conservation standard must equal the percentage which the District’s total potable water supply is insufficient to meet its total potable water demand after three additional dry years. Based upon the water supply and demand data available to it, the District expects to be able to certify that it has sufficient water resources to meet 100% of potable water demand even after an additional three dry years. Therefore, the District anticipates that its conservation standard will be 0% under the 2016 SWRCB Regulation.

### **Future Water Supplies**

***El Dorado Project Water Rights.*** As noted above, the District is presently negotiating a long-term Warren Act Contract with the USBR that will allow the District to store and divert 17,000 acre-feet annually from Folsom Reservoir pursuant to Water Right Permit 21112, granted by the State Water Resources Control Board to the District in 2001. See the caption “—Water Supply –Forebay Reservoir” above.

***New Water Service Contract for Folsom Reservoir.*** P.L. 101-514, signed into law in 1992, directs the USBR to enter into a long-term water service contract with the El Dorado County Water Agency (the “EDCWA”) for 15,000 acre-feet per year of water from Folsom Reservoir or upstream on the American River. The District expects that, pursuant to a contract with the EDCWA, the District will receive at least one-half, or 7,500 acre-feet, of the water. EDCWA certified an Environmental Impact Report for this project in 2011 and EDCWA-USBR contract negotiations have commenced. USBR’s Federal Endangered Species Act compliance, technical review, and environmental review are ongoing. As a result, the District cannot predict when the EDCWA USBR contract may be consummated. This contract entitlement, if secured, will be in addition to the current Folsom Reservoir Water Service Contract entitlement of 7,550 acre feet of water, the Ditch/Weber Warren Act Contract entitlement of 4,560 acre-feet of water, and the current Permit 21112 Warren Act Contract entitlement of 8,500 acre-feet of water.

***Storage and Delivery from Sacramento Municipal Utility District Reservoirs.*** In October 2005, the District, EDCWA, the El Dorado Water and Power Authority (“EDWPA”) (together, the “El Dorado Parties”) and other parties executed a Cooperation Agreement with Sacramento Municipal Utility District (“SMUD”). Among the Cooperation Agreement’s provisions were an entitlement for the El Dorado Parties to store and withdraw up to 30,000 acre-feet per year of water supplies from SMUD’s Upper American River Project (“UARP”) reservoirs through 2025, and up to 40,000 acre-feet per year thereafter. The El Dorado Parties are also entitled under the Cooperation Agreement to carry over up to 15,000 acre-feet of water supplies from year to year. The El Dorado Parties have designated the District as the primary beneficiary of the annual storage entitlement, and the sole beneficiary of the carry-over storage entitlement. In 2009, EDWPA filed applications with the State Water Resources Control Board for sufficient water rights to take advantage of these contractual entitlements. In 2010, EDWPA released a Draft Environmental Impact Report for the water rights project.

The water rights applications and environmental analysis are still pending, while EDWPA reformulates the newly named El Dorado Water Reliability Project, to include groundwater banking opportunities and other regional project partnerships in the Sacramento Valley. The District cannot predict whether or when the El Dorado Water Reliability Project may be approved.

**Historic and Projected System Firm Yield**

Set forth below is a summary of the District’s firm yield water supply for the last five audited Fiscal Years. Firm yield water supply is that amount which the District expects can be fully delivered in 95% of all years, with shortages of no more than 20% in the remaining years.

**El Dorado Irrigation District  
Historic System Firm Yield  
In Acre-Feet Per Year**

<i>Fiscal Year Ended December 31</i>	<i>Total</i>
2015	63,500
2014	63,500
2013	63,500
2012	63,500
2011	63,500

---

Source: Annual Water Resources and Service Reliability Reports.

Set forth below is a projection of the District’s firm yield water supplies for Fiscal Year 2016 and the next four Fiscal Years. The projected firm yield water supplies exceed projected water deliveries described under the caption “—Projected Raw Water Deliveries.”

**El Dorado Irrigation District  
Projected System Firm Yield  
In Acre-Feet Per Year**

<i>Fiscal Year Ending December 31</i>	<i>Total</i>
2016	63,500
2017	63,500
2018	63,500
2019	63,500
2020	63,500

---

Source: Annual Water Resources and Service Reliability Report.

**Historic Water Connections**

The following table shows the growth in the number of water connections to the Water System for the last five audited Fiscal Years:



**El Dorado Irrigation District  
Historic Water Connections**

<i>Fiscal Year Ended December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2015	40,028	1.0%
2014	39,616	0.5
2013	39,398	(0.0)
2012	39,403	0.8
2011	39,082	0.2

Source: The District – 2015 CAFR, Table 27.

## Historic Water Deliveries

The following table presents a summary of historic water deliveries for the Water System in acre-feet per year for the last five audited Fiscal Years:

### El Dorado Irrigation District Historic Water Deliveries In Acre-Feet Per Year

<i>Fiscal Year Ended December 31</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2015 <sup>(1)</sup>	27,810	(6.6)%
2014 <sup>(2)</sup>	29,784	(24.6)
2013	39,482	7.9
2012	36,580	9.3
2011	33,454	(6.2)

<sup>(1)</sup> Deliveries for Fiscal Year 2015 reflect the effects of mandatory conservation measures required by the 2015 Executive Order. See the caption “—California Drought and Response.”

<sup>(2)</sup> The reduction in water deliveries for Fiscal Year 2014 reflects conservation efforts due to drought conditions. See the caption “—California Drought and Response.”  
Source: The District – 2015 CAFR, Table 27.

Historic water deliveries reflect connections to the Water System as well as water demand, which can be affected by weather conditions and other factors. See the caption “—Historic Water Connections” above.

## Historic Water Sales Revenues

The following table shows annual water sales revenues from water sales for the last five audited Fiscal Years:

### El Dorado Irrigation District Historic Water Sales Revenues

<i>Fiscal Year Ended December 31</i>	<i>Sales Revenues</i>	<i>Increase/(Decrease)</i>
2015 <sup>(1)</sup>	\$25,344,067	3.9%
2014 <sup>(2)</sup>	26,170,261	(10.6)
2013	29,284,316	21.6
2012 <sup>(3)</sup>	24,091,130	20.5
2011 <sup>(4)</sup>	19,993,675	13.9

<sup>(1)</sup> Sales revenues for Fiscal Year 2015 reflect the effects of mandatory conservation measures required by the 2015 Executive Order. See the caption “—California Drought and Response.”

<sup>(2)</sup> The reduction in water sales revenues for Fiscal Year 2014 reflects conservation efforts due to drought conditions. See the caption “—California Drought and Response.”

<sup>(3)</sup> The increase in sales revenue in Fiscal Year 2012 resulted from a combination of increased deliveries and increased rates and charges. See the captions “—Water System Rates and Charges” and “—Historic Water Deliveries.”

<sup>(4)</sup> The increase in Fiscal Year 2011 resulted from increased rates and charges. See the captions “—Water System Rates and Charges” and “—Historic Water Deliveries.”  
Source: The District.

Water sales revenues reflect water deliveries as well as rates and charges, which have increased over the five year period described above. See the caption “—Water System Rates and Charges” below.

**Water Transfer.** On April 1 2015, the District’s Board of Directors approved a Water Purchase Agreement Between Westlands Water District and El Dorado Irrigation District for 2015 Temporary Water Purchase (“2015 Transfer Agreement”). Under the 2015 Transfer Agreement, Westlands Water District (“Westlands”) agreed to pay the District \$700 per acre-foot for up to 6,430 acre-feet of water delivered to Westlands at Folsom Reservoir, which water would be made available by the District through releasing water otherwise stored in Weber Reservoir, and through water the District would otherwise use, but for its conservation and water recycling programs. After consulting with the USBR and California Department of Water Resources regarding the use of state and federal facilities for conveying water to Westlands, the District decided to forgo transferring water that it would make available through its conservation and recycling programs, and instead transfer additional water that would otherwise remain in storage. The District identified Silver Lake, one of the Project 184 reservoirs, as the additional source of water storage releases for transferring water to Westlands.

The 2015 Transfer Agreement included three separate payment obligations. First, it required Westlands to make an option payment to the District of \$20 an acre-foot for the exclusive right to purchase up to 6,430 acre-feet within 30 days of executing the contract. On April 28, 2015, Westlands paid the District \$128,600 in satisfaction of its option payment obligation. Second, the 2015 Transfer Agreement required Westlands to make a “call payment” of \$110 per acre-foot to the District upon notifying the District how much water Westlands desired the District to deliver to Folsom Reservoir. The District, prior to delivering the water, retained exclusive authority to determine whether its own customer demands required the water for use within the District’s service area, and if so determined, the District would refund the call payment made by Westlands but retain the option payment. On August 25, 2015, Westlands called for delivery of 3,100 acre-feet and made a call payment to the District of \$341,000. Third, the 2015 Transfer Agreement required Westlands to pay \$570 per acre-foot within 30 days of the District’s delivery of water to Folsom Reservoir. On October 2, 2015, Westlands made a payment of \$139,479 for delivery of 244.7 acre-feet of water in August. In September 2015, the District delivered 2,109.9 acre-feet of water pursuant to Westland’s call notice, and on November 6, 2015, Westlands made a final payment to the District of \$1,240,781, reflecting adjustments for credits on estimated payments and cost-share responsibilities identified in the Transfer Agreement. In total, the District received \$1,849,860 for the 2015 transfer to Westlands. In 2016, Westlands indicated to the District that it desires to purchase additional transfer water. Based upon the limited conveyance capacity of the state and federal conveyance facilities in normal and wet water years required to convey District water to Westlands, however, it is doubtful that such a transfer can occur in 2016, and the District has not entered into any Transfer Agreement with Westlands or any other party. Westlands has indicated that it is interested in purchasing transfer water from the District in all future years in which there is sufficient conveyance capacity to move water. Because such transfers are speculative and dependent on numerous factors outside the District’s control, the District has not included water transfer revenue into its projections of water sales revenue, see the caption “—Projected Water Sales Revenues” below.

## Largest Customers

The following table sets forth the largest customers of the Water System as of the Fiscal Year ended December 31, 2015 (the most recently completed audited Fiscal Year), as determined by annual payments:

### El Dorado Irrigation District Largest Water Customers

<i>Customer</i>	<i>Annual Payments</i>
City of Placerville	\$ 393,593
El Dorado Hills CSD	175,423
Cameron Park Golf Course	166,362
El Dorado Union High School District	128,772
Buckeye Union School District	93,475
Red Hawk Casino	80,097
Lake Oaks Mobile Home Park	69,760
Rescue Union School District	66,737
Lake Forest Apartments LLC	55,970
Vineyards at Valley View	<u>54,683</u>
Total	\$1,284,871

Source: The District – 2015 CAFR, Table 13.

These largest customers accounted for approximately 5% of water sales from the Water System and approximately 1.5% of total District Revenues in 2015.

## Water System Rates and Charges

**General.** The water rates of the District vary for different classes of customers. The District, by direction of USBR, has implemented an ascending tiered rate structure to encourage water conservation. Each water customer pays a basic monthly charge, which is billed bimonthly, and a commodity charge, based on the quantity of water used, measured in hundred cubic feet (“ccf”).

The retail water rates of the District for Fiscal Years 2015 and 2016 applicable to the single family residential customer groups are shown in the following table:

### El Dorado Irrigation District Retail Water Rates and Charges<sup>(1)</sup> Fiscal Years 2015 and 2016

	<i>1/1/2015</i>	<i>2/1/2016</i>
Minimum Bi-Monthly Base Charge (3/4-inch meter)	\$ 55.37	\$ 58.14
Commodity Charge for 0-1,800 cf	0.01345	0.01412
Commodity Charge for 1,801-4,500 cf	0.01623	0.01704
Commodity Charge for 4,501 cf and above	0.01904	0.01999

<sup>(1)</sup> 1 ccf = 1 cubic foot of water.

Source: The District.

Retail water rates and commodity charges vary based on meter size. Other water rates apply for multi-family, commercial/industrial, small farms, ditches, agricultural metered irrigation, recreational turf and wholesale services. However, more than 93% of the District’s customer accounts and more than 61% of its water deliveries are in the single-family residential customer group.

On January 11, 2016 after a notice, public hearing and protest process described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218,” the Board of Directors approved Water System rate increases of approximately 5% in Fiscal Year 2016, approximately 5% in Fiscal Year 2017, approximately 4% in Fiscal Year 2018, approximately 3% in Fiscal Year 2019, and approximately 3% in Fiscal Year 2020, subject to a quarterly review of the need to implement the rate increases and adjust the percentage of rate increase downward, if warranted. The 5% rate increase for Fiscal Year 2016 took effect on February 1, 2016, and subsequent increases are effective on January 1 of each year, beginning January 2017 through January 2020, unless otherwise adjusted. The Board of Directors may reduce such rates in the future, subject to the rate covenant described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Rate Covenant.” The Water System projected operating results under the caption “—Projected Operating Results and Debt Service Coverage” are based on such approved rate increases and assume implementation of the approved rate increases by the Board of Directors in Fiscal Years 2017 through 2020.

**Facility Capacity Charges.** The table below sets forth system-wide facility capacity charges for Fiscal Years 2015 and 2016 for the Water System. Facility capacity charges consist of a one-time connection fee.

**El Dorado Irrigation District  
Water System Facility Capacity Charges  
Fiscal Years 2015 and 2016**

<i>2015 Rate</i>	<i>2016 Rate<sup>(1)</sup></i>
\$ 17,930	\$ 18,369

<sup>(1)</sup> Effective January 1, 2016  
Source: The District.

**Water Service Charges.** The table below sets forth a comparison of the water rates of the District and charges for a single-family residential user for 30 ccf of consumption to those of nearby water purveyors as of January 1, 2016:

<i>Community</i>	<i>Total Bi-Monthly Bill</i>
Elk Grove Water District	\$165.22
City of Grass Valley	162.15
Placer County Water Agency	143.40
City of Placerville	128.81
Rancho Murieta CSD	128.56
Nevada Irrigation District	124.14
South Tahoe PUD	106.17
<i>El Dorado Irrigation District</i>	<i>104.00</i>
Sacramento Suburban	101.76
City of Folsom	70.80
Citrus Heights Water District	68.26

Source: The District.

**Collection Procedures**

The District utilizes a bimonthly billing cycle for water, wastewater and recycled water services and sends a consolidated bill every other month to District customers. Payment is due by the 21st day after the billing date, and is considered delinquent if not paid within 5 business days of the due date. If payment is not received, a delinquency message and a \$10 late payment penalty will appear on a past due notice. Currently

4.7% of the accounts are 30 days delinquent, which represents approximately 2% of total Water System Revenues. The Wednesday following the 10th day after the date of the past due notice, all accounts not paid in full will be sent a disconnect notice and the account is assessed a \$25 delinquent account penalty. All accounts remaining unpaid 7 days after the disconnect notice will receive a last-attempt phone call. Not less than 48 hours after the last-attempt phone call, the account will be subject to disconnection of service until full payment is received, including late penalties and an \$85 field call fee.

**Future Water System Improvements**

The District projects total capital improvements to the Water System, including FERC mandated projects and improvements to the hydroelectric system, for existing users of approximately \$70,100,000 over the next five years, including \$49,300,000 being funded from the proceeds of the 2016B Certificates. The District projects capital improvements to the Water System, including FERC mandated projects and improvements to the hydroelectric system, to accommodate future growth of approximately \$22,400,000 over the next five years. The District expects that such capital improvements will be funded by facility capacity charges and grants. The District expects to obtain all environmental and other permits and approvals necessary for such capital improvements in a timely manner to permit expenditures on the referenced capital improvements.

**Projected Potable Water Connections**

The following table shows the projected increase in the number of potable water connections to the Water System projected by the District for 2016 and the next four Fiscal Years:

**El Dorado Irrigation District  
Projected Potable Water Connections<sup>(1)</sup>**

<i>Fiscal Year Ending December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2016	40,236	0.5%
2017	40,445	0.5
2018	40,656	0.5
2019	40,867	0.5
2020	41,080	0.5

<sup>(1)</sup> Number of water connections is estimated from information contained within the District’s 2013 Water Resources Master Plan – Tables 4-5, 4-6 and 9-1, which are used for projecting timing and sizing of water facility additions. The 2013 Water Resources Master Plan information was derived by engineering consultants using, in part, County of El Dorado Economic Development growth projections.  
Source: The District.

The number of connections to the Water System will be affected by the pace of development activity within the portions of the District served by the Water System. See the caption “THE EL DORADO IRRIGATION DISTRICT—Certain Factors Affecting Growth” above.

## Projected Raw Water Deliveries

The District currently estimates that raw water deliveries for 2016 and the next four Fiscal Years will be as follows:

### El Dorado Irrigation District Projected Raw Water Deliveries In Acre-Feet Per Year

<i>Fiscal Year Ending December 31</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2016	33,420	20.0%
2017	33,600	0.5
2018	33,770	0.5
2019	33,950	0.5
2020	34,125	0.5

Source: The District.

Projected water deliveries are based on estimated 2016 demand and assume partial recovery from the drought, using the growth rate from potable connections table above in subsequent years. Water deliveries will be highly variable from year-to-year based on weather, climate and other factors. See the caption “—California Drought and Response.”

## Projected Water Sales Revenues

The following table projects annual water sales revenues of the Water System, which projections are based on the increases in projected water deliveries described under the caption “—Projected Raw Water Deliveries” and rates described under the caption, “—Water System Rates and Charges”:

### El Dorado Irrigation District Projected Water Sales Revenues

<i>Fiscal Year Ending December 31</i>	<i>Sales Revenues</i>	<i>Increase/(Decrease)</i>
2016 <sup>(1)(2)</sup>	\$28,350,000	4.3%
2017 <sup>(3)</sup>	29,767,500	5.0
2018 <sup>(3)</sup>	30,958,200	4.0
2019 <sup>(3)</sup>	31,886,946	3.0
2020 <sup>(3)</sup>	32,843,554	3.0

<sup>(1)</sup> A 5% rate increase became effective February 1, 2016, as described under the caption “—Water System Rates and Charges—General.”

<sup>(2)</sup> Projected water sales revenues for 2016 reflect the projected effects of the 2015 Executive Order. See the caption “—California Drought and Response.”

<sup>(3)</sup> Increase reflects a previously approved 5% rate increase effective January 1, 2017, a previously approved 4% increase effective January 1, 2018, a previously approved increase of 3% effective January 1, 2019 and a previously approved 3% increase effective January 1, 2020, as described under the caption “—Water System Rates and Charges—General.”

Source: The District.

## Hydroelectric Revenues

In 2010, the District and PG&E executed a new long-term power purchase agreement for Project 184 power generation revenues, and the California Public Utilities Commission approved such power purchase

agreement. The contract term extends through May 15, 2021, with PG&E holding a right of first offer for ten additional years thereafter. Under the power purchase agreement, annual revenues will fluctuate according to hydrology, generation patterns, and drinking water needs. Based on the contract terms, past Project 184 operations, and current Project 184 license conditions, the District expects net revenues under this long-term power purchase agreement to average approximately \$8,000,000 per year. See the caption “—Projected Operating Results and Debt Service Coverage.” The amounts received in any Fiscal Year may vary and such variation may be material. See the caption “—Historic Operating Results and Debt Service Coverage” for recent net hydroelectric revenues which have varied from a low of \$2,918,012 in 2009 to a high of \$11,631,272 in 2011. On February 4, 2014, the District’s Board of Directors approved a drought emergency declaration and Stage 2 Water Warning under the District’s Drought Action Plan. See captions “—California Drought and Response” and “—District Drought Response Actions and Impact” above. As a result of the hydrologic conditions that prompted the drought emergency declaration and Stage 2 Water Warning, District staff made certain adjustments to projected net hydroelectric revenues in 2014 and 2015. See the captions “—California Drought and Response” and “—District Drought Response Actions and Impact” above, and the caption “—Historic Operating Results and Debt Service Coverage” below.

### **Historic Operating Results and Debt Service Coverage**

The following table is a summary of operating results of the Water System of the District, for the last five Fiscal Years. These results have been derived from the Financial Statements of the District but exclude certain receipts which are not included as Revenues under the Indenture and certain non-cash items and include certain other adjustments.



**El Dorado Irrigation District  
Water System  
Historic Operating Results  
Fiscal Year Ended December 31**

	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i> <sup>(4)</sup>	<i>2011</i> <sup>(5)</sup>
<b>Revenues</b>					
Water Sales	\$ 25,344,067	\$ 26,170,261	\$ 29,284,316	\$ 24,091,130	\$ 19,993,675
Facility Capacity Charges <sup>(1)</sup>	7,142,002	2,119,135	1,864,166	1,233,468	1,471,646 <sup>(12)</sup>
1% Property Tax Revenue <sup>(1)</sup>	6,429,078	6,015,821	5,538,601	4,660,579	5,688,568
Water Service	1,127,115	977,583	1,100,849	367,528 <sup>(15)</sup>	2,325,803
Surcharges <sup>(1)</sup>	1,449,355	1,271,911	1,296,700	1,218,995	1,229,744
Investment Income <sup>(1)</sup>	201,751	297,729	223,476	413,796	391,062
Recreation Fees	1,349,431	1,301,719	1,266,333	1,147,811	1,061,795
Hydroelectric Revenues	4,159,925	5,205,980	7,878,903	6,777,760	11,631,272
Other Income <sup>(1)</sup>	3,195,993 <sup>(11)</sup>	1,112,531	1,002,016	1,732,878	1,670,706 <sup>(13)</sup>
Total Revenues	<u>\$ 50,398,717</u>	<u>\$ 44,472,670</u>	<u>\$ 49,455,360</u>	<u>\$ 41,643,945</u>	<u>\$ 45,464,271</u>
<b>Operation and Maintenance Costs</b>					
Communications <sup>(1)</sup>	\$ 239,696	\$ 291,264	\$ 322,263	\$ 310,588	\$ 302,157
Human Resources <sup>(1)</sup>	1,325,194	1,301,919	1,253,185	1,256,462	1,172,947
Information Technology <sup>(1)</sup>	1,292,852	1,342,815	1,158,889	1,287,713	1,395,142
Engineering <sup>(1)</sup>	1,601,307	1,611,026	1,538,103	1,425,845	1,611,993
Water Operations	11,621,987	10,947,044	11,124,989	9,843,204	8,924,791
Finance <sup>(1)</sup>	4,498,854	4,780,856	5,025,149	4,575,989	4,654,702
Hydroelectric <sup>(6)</sup>	3,414,272	3,229,517	3,128,963	2,766,311	3,239,346
Office of the General Manager <sup>(1)</sup>	1,448,635	1,350,528	925,462	1,160,355	1,071,135
Recreation <sup>(1)</sup>	1,274,760	1,289,294	1,191,514	1,138,630	1,060,744
Other Expenses <sup>(1)(2)</sup>	1,240,622	1,367,412	1,549,883	753,523	596,202 <sup>(14)</sup>
Total Operation and Maintenance Costs	<u>\$ 27,958,179</u>	<u>\$ 27,511,675</u>	<u>\$ 27,218,400</u>	<u>\$ 24,518,620</u>	<u>\$ 24,029,159</u>
Net Revenues	\$ 22,440,538	\$ 16,960,995	\$ 22,236,960	\$ 17,125,325	\$ 21,435,112
<b>Pre-existing Obligations</b>					
Existing State Loans	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>
Total Pre-existing Obligations	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>
Net Revenues Available for Senior Debt Service Coverage	\$ 21,361,221	\$ 15,881,678	\$ 21,157,643	\$ 16,046,008	\$ 20,355,795
<b>Senior Debt Service<sup>(6)</sup></b>					
2003 Installment Purchase Agreement	\$ --	\$ --	\$ --	\$ 1,420,994	\$ 1,622,179
2004A Installment Purchase Agreement	--	1,335,278 <sup>(9)</sup>	2,248,429 <sup>(8)</sup>	1,833,182 <sup>(7)</sup>	3,831,339
2008A Installment Purchase Agreement	20,704	35,124	61,818	107,544	141,973
2009A Installment Purchase Agreement	2,379,843	2,751,966	4,090,755	4,090,755	4,090,755
2010A Installment Purchase Agreement	446,530	446,530	446,530	446,530	446,530
2012A Bonds	1,306,950	1,306,950	1,306,950	177,890	--
2012B Bonds	128,862	127,958	129,443	3,637	--
2014 Bonds	3,583,546 <sup>(10)</sup>	1,618,596	--	--	--
Additional State Loans	373,310	373,310	373,310	373,313	373,313
Total Senior Debt Service	<u>\$ 8,239,745</u>	<u>\$ 7,995,712</u>	<u>\$ 8,657,235</u>	<u>\$ 8,453,845</u>	<u>\$ 10,506,089</u>
Senior Debt Service Coverage	2.59	1.99	2.44	1.90	1.94
Cash Available for Capital Projects or Other Purposes	\$ 13,121,476	\$ 7,885,966	\$ 12,500,408	\$ 7,592,163	\$ 9,849,706

(Footnotes on following page)

- (1) Reflects the share allocated to the Water System.
- (2) Includes fees payable with respect to the credit facility in place from time-to-time relating to the 2008 Certificates.
- (3) Included in the line item for Facilities Management in the Financial Statements.
- (4) Reflects restated Fiscal Year 2012 results as set forth in the Fiscal Year 2013 audited financial statements. See the caption “—Management Discussion With Respect to Fiscal Years 2011 through 2015” below.
- (5) Reflects restated Fiscal Year 2011 results as set forth in the Fiscal Year 2012 audited financial statements. See the caption “—Management Discussion With Respect to Fiscal Years 2011 through 2015” below.
- (6) Debt service payments allocated to the Water System.
- (7) Reflects prepayment in 2011 of \$1,998,750 in principal and interest due on March 1, 2012.
- (8) Reflects prepayment in 2012 of \$2,998,125 in principal and interest due on March 1, 2013 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- (9) Reflects prepayment in 2013 of \$2,998,125 in principal and interest due on March 1, 2014 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- (10) Reflects prepayment in 2014 of \$2,997,300 in principal and interest due on March 1, 2015 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- (11) Fiscal Year 2015 amount includes \$1,849,860 resulting from a one-time water transfer. See the caption “Historic Water Sales Revenues—Water Transfer.”
- (12) Includes recognition of deferred revenue from prior year (which was not recorded in such year as Revenues) of approximately \$325,082.
- (13) Reflects departmental presentation of “Other Income” rather than categorical presentation set forth in “Other Income” category found in the District’s audited financial statements.
- (14) Reflects departmental presentation of “Other Expenses” rather than categorical presentation set forth in “Other Expenses” category found in the District’s audited financial statements.
- (15) Reflects reclassification of miscellaneous fees from “Water Service” to “Other Income” as set forth in restated Fiscal Year 2012 operating results shown in Fiscal Year 2013 audited financial statements. . See the caption “—Management Discussion With Respect to Fiscal Years 2011 through 2015” below.
- Source: The District.

## **Management Discussion With Respect To Fiscal Years 2011 through 2015**

In Fiscal Years 2011, 2012 and 2013 the District prepaid \$1,998,750, \$2,998,125 and \$2,998,125 in principal and interest, respectively, of the installment payments related to the 2004A Installment Purchase Agreement. In Fiscal Year 2011, 100% of the prepayment was allocable to the Water System from Water System reserves. In Fiscal Year 2012, approximately 52.7% of such prepayments was allocable to the Water System from Water System reserves. In Fiscal Year 2013, approximately 52.7% of such prepayments was allocable to the Water System from Water System reserves. In Fiscal Year 2014, the District prepaid \$2,997,300 of principal and interest on the 2014 Bonds, with approximately 52.7% of such prepayments allocable to the Water System from Water System reserves. As a result of these and other actions, the District achieved 1.94 times senior debt service coverage in Fiscal Year 2011, 1.90 times senior debt service coverage in Fiscal Year 2012, 2.44 times senior debt service coverage in 2013, 1.99 times senior debt service coverage in Fiscal Year 2014 and 2.59 times senior debt service coverage in Fiscal Year 2015.

In the District's audited financial statements for Fiscal Year 2012, the District restated operating results for Fiscal Year 2011 (the "Restated Fiscal Year 2011 Financial Statements") to eliminate duplicate expenses attributed to compensated absences. The effect of such restatement was to reduce such costs by \$1,084,575. In addition, the Restated Fiscal Year 2011 Financial Statements reclassified certain items of income consolidation to better correspond to major income classifications. These reclassifications did not result in any change to Net Revenues or Senior Debt Service coverage.

In the District's audited financial statements for Fiscal Year 2013, the District restated operating results for Fiscal Year 2012 (the "Restated Fiscal Year 2012 Financial Statements") to retroactively apply the change in treatment of debt issuance costs set forth in Governmental Accounting Standards Board Statement No. 65 ("GASB 65"), which the District began implementing in Fiscal Year 2013. In addition, the Restated Fiscal Year 2012 Financial Statements reclassified certain penalties and fees collected in order to be consistent with the District's classification of such items in its audited financial statements for Fiscal Year 2013. The District restated its Fiscal Year 2012 operating results to reflect the effects of GASB 65 and internal reclassifications for Fiscal Year 2013 because the District's audited financial statements present operating results in comparison with the operating results for the prior Fiscal Year. The Restated Fiscal Year 2012 Financial Statements did not result in any change to Net Revenues or Senior Debt Service coverage.

### **Projected Operating Results and Debt Service Coverage**

The estimated projected operating results for the Water System of the District for Fiscal Year 2016 and the next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on a variety of assumptions, including the assumptions set forth in the footnotes to the chart set forth below. All of such assumptions are material in the development of the District'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.

**El Dorado Irrigation District  
Water System  
Projected Operating Results  
Fiscal Year Ended December 31**

	<i>2016</i> <sup>(26)</sup>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
<b>Revenues</b>					
Water Sales <sup>(1)</sup>	\$ 28,350,000	\$ 29,767,500	\$ 30,958,200	\$ 31,886,946	\$ 32,843,554
Facility Capacity Charges <sup>(2)(25)</sup>	2,394,500	2,394,500	2,394,500	2,394,500	2,394,500
1% Property Tax Revenue <sup>(3)</sup>	6,540,000	6,670,800	6,804,216	6,940,300	7,079,106
Surcharges <sup>(4)</sup>	1,094,099	1,094,099	1,094,099	1,094,099	1,094,099
Flood Damage Reimbursement	--	--	--	--	--
Investment Income <sup>(5)</sup>	450,000	450,000	450,000	450,000	450,000
Recreation Fees <sup>(6)</sup>	1,356,600	1,383,732	1,411,407	1,439,635	1,468,427
Hydroelectric Revenues <sup>(7)</sup>	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Other Income <sup>(8)</sup>	<u>765,000</u>	<u>765,000</u>	<u>765,000</u>	<u>765,000</u>	<u>765,000</u>
Total Revenues	\$ 48,950,199	\$ 50,525,631	\$ 51,877,422	\$ 52,970,480	\$ 54,094,686
<b>Operation and Maintenance Costs</b>					
Communications <sup>(9)</sup>	\$ 269,341	\$ 274,728	\$ 280,223	\$ 285,827	\$ 291,544
Human Resources <sup>(9)</sup>	1,407,357	1,435,504	1,464,214	1,493,498	1,523,368
Information Technology <sup>(9)</sup>	1,339,208	1,365,992	1,393,312	1,421,178	1,449,602
Engineering <sup>(9)</sup>	1,571,498	1,602,928	1,634,987	1,667,686	1,701,039
Water Operations <sup>(9)</sup>	11,553,146	11,784,208	12,019,893	12,260,291	12,505,496
Wastewater Operations	--	--	--	--	--
Recycled Water Operations	--	--	--	--	--
Finance <sup>(9)</sup>	4,683,884	4,777,562	4,873,113	4,970,576	5,069,987
Hydroelectric <sup>(9)</sup>	3,651,651	3,724,684	3,799,178	3,875,161	3,952,664
Office of the General Manager <sup>(9)</sup>	1,945,540	1,984,450	2,024,139	2,064,622	2,105,915
Recreation <sup>(9)</sup>	1,384,103	1,411,785	1,440,021	1,468,821	1,498,198
Other Expense <sup>(10)</sup>	<u>666,650</u>	<u>666,650</u>	<u>666,650</u>	<u>666,650</u>	<u>666,650</u>
Total Operation and Maintenance Costs	\$ 28,472,378	\$ 29,028,491	\$ 29,595,730	\$ 30,174,310	\$ 30,764,463
Net Revenues	\$ 20,477,821	\$ 21,497,140	\$ 22,281,692	\$ 22,796,170	\$ 23,330,223
<b>Pre-existing Obligations</b>					
Existing State Loans <sup>(11)</sup>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>
Total Pre-existing Obligations	\$ 1,079,200	\$ 1,079,200	\$ 1,079,200	\$ 1,079,200	\$ 1,079,200
Net Revenues Available for Senior Debt Service Coverage	\$ 19,398,621	\$ 20,417,940	\$ 21,202,492	\$ 21,716,970	\$ 22,251,023
<b>Senior Debt Service<sup>(12)</sup></b>					
2008A Installment Purchase Agreement <sup>(13)</sup>	\$ 674,747	\$ 2,024,241	\$ 3,373,735	\$ 3,373,735	\$ 3,373,735
2009A Installment Purchase Agreement <sup>(14)</sup>	2,126,980	1,875,461	1,876,133	1,876,917	--
2010A Installment Purchase Agreement <sup>(15)</sup>	446,530	446,530	446,530	446,530	446,530
2012A Bonds <sup>(16)</sup>	1,306,950	4,341,217	4,339,882	4,333,412	4,331,944
2012B Bonds <sup>(17)</sup>	126,473	126,516	126,208	128,356	127,205
2014 Bonds <sup>(18)(19)(20)</sup>	3,577,940	3,583,569	3,577,737	3,575,472	3,570,507
2016A Bonds <sup>(21)</sup>	70,758	489,860	489,860	489,860	2,262,260
2016B Installment Purchase Agreement <sup>(22)(23)</sup>	295,136	2,043,250	2,043,250	2,043,250	2,043,250
Additional State Loans <sup>(24)</sup>	<u>373,310</u>	<u>373,310</u>	<u>373,310</u>	<u>373,310</u>	<u>373,310</u>
Total Senior Debt Service	\$ 8,998,824	\$ 15,303,954	\$ 16,646,645	\$ 16,640,842	\$ 16,528,741
Senior Debt Service Coverage	\$ 2.16	\$ 1.33	\$ 1.27	\$ 1.31	\$ 1.35
Cash Available for Capital Projects or Other Purposes	\$ 10,399,797	\$ 5,113,986	\$ 4,555,847	\$ 5,076,128	\$ 5,722,282

(Footnotes on following page)

- (1) Based on projected water sales described under the caption “—Projected Water Sales Revenues” and projected increases in retail water rates and charges described under the caption “—Water System Rates and Charges,” as adjusted to reflect Stage 2 Drought Declaration approved by the Board of Directors on February 4, 2014.
- (2) Represents facility capacity charges projected to be collected from operation of the Water System.
- (3) Represents the share allocated to the Water System. Property taxes collected are allocated between the Water and Wastewater Systems at the District’s discretion. See the caption “EL DORADO IRRIGATION DISTRICT—1% Property Tax Revenues.” Based on District projections and reflect the Stage 2 Drought Declaration approved by the Board of Directors on February 4, 2014.
- (4) Represents surcharges projected to be collected from operation of the Water System. Projected to remain near Fiscal Year 2015 level for Fiscal Years 2016 through 2020.
- (5) Projected at 1% to 1.5% per annum on projected Water System reserves.
- (6) Based on District projections.
- (7) Hydroelectric revenues projected to remain at amount originally included in Fiscal Year 2016 budget as a result of hydrologic conditions. See the caption “—Hydroelectric Revenues.”
- (8) Projected to remain the same as budgeted in Fiscal Year 2016. Includes water sales to City of Placerville at wholesale rates. See the caption “EL DORADO IRRIGATION DISTRICT—Service Area.”
- (9) Increases in amounts are projected at a rate of 2% per annum.
- (10) Projected to remain at Fiscal Year 2015 amounts. Includes fees payable from time-to-time with respect to the Credit Facility Agreement. See the caption “—Other Outstanding Revenue Obligations.”
- (11) Reflects payments under State Revolving Fund loan relating to District’s Reservoir 2/2A facility. See the caption “EL DORADO IRRIGATION DISTRICT—Other Outstanding Revenue Obligations—Pre-Existing Obligations.”
- (12) Debt Service allocated to the Water System.
- (13) Portion of 2008A Installment Payments allocated to the Water System. Variable rate 2008A Installment Payments projected at 1% for Fiscal Year 2016, 3% for Fiscal Year 2017 and 5% per annum for Fiscal Years 2018 through 2020.
- (14) Portion of 2009A Installment Payments allocated to the Water System, net of capitalized interest.
- (15) Portion of 2010A Installment Payments allocated to the Water System.
- (16) Portion of payments of principal of and interest on 2012A Bonds allocated to the Water System.
- (17) Portion of payments of principal of and interest on 2012B Bonds allocated to the Water System.
- (18) Portion of payments of principal of and interest on 2014 Bonds allocated to the Water System.
- (19) Reflects prepayment in 2015 of \$2,998,800 in principal and interest due on March 1, 2016 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- (20) Reflects projected prepayment in Fiscal Years 2016 through 2019 of \$3,000,000 in principal and interest due on March 1, 2017 through 2020 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater System).
- (21) Projected at an all-in true interest cost of 2.88% per annum and an aggregate principal amount of \$49,300,000.
- (22) Projected at an all-in true interest cost of 2.69% per annum and an aggregate principal amount of \$18,355,000.
- (23) Portion of Installment Payments.
- (24) Reflects payments under the DPH Contract which are on parity with the Installment Purchase Agreement. See the caption “EL DORADO IRRIGATION DISTRICT—Other Outstanding Revenue Obligations.”
- (25) Revenues from Facility Capacity Charges based on District projections of operating results from Fiscal Year 2016 to Fiscal Year 2020. Projected number of water connections is derived from engineering estimates contained within the District’s 2013 Water Resources Master Plan – Table 9-2, which are used for projecting timing and sizing of water facility additions. The 2013 Water Resources Master Plan information was derived by engineering consultants using, in part, County of El Dorado Economic Development growth projections.
- (26) Based on Fiscal Year 2016 budget adopted on November 9, 2015. See the caption “EL DORADO IRRIGATION DISTRICT—Budget Process.”
- Source: The District.

## THE WASTEWATER SYSTEM OF THE DISTRICT

### The Wastewater System

The District provides wastewater collection and disposal service to approximately 54% of its total Water System customer base. The remaining Water System customers have no public wastewater collection and disposal service, except for the City of Placerville which operates its own wastewater collection, treatment and disposal system. Collection is primarily via gravity pipelines with 61 lift stations pumping sewage under pressure through “force mains” until the nearest gravity line can be reached. There are approximately 628 miles of collection pipelines transporting sewage to wastewater treatment plants at Deer Creek (serving Cameron Park, Diamond Springs and the Mother Lode area) and El Dorado Hills, or to one of the smaller facilities located at Camino or Gold Ridge Forest.

Water reclamation facilities at the Deer Creek and El Dorado Hills Wastewater Treatment Plants and associated distribution and storage facilities enable recycled water to be used by residences in the Serrano, Creekside Greens, Four Seasons, Blackstone and other developments for residential landscape irrigation, by the Serrano and El Dorado Hills Golf Courses for irrigation and ponds and by community landscape areas. The District currently serves approximately 2,500 acre-feet annually through its recycled water system to approximately 4,916 accounts. The Integrated Water Resources Master Plan (“WRMP”) and Wastewater Facilities Master Plan (“WWFMP”) of the District have identified a number of potential users, who are mandated by District policy to utilize this source to the maximum extent feasible.

The Deer Creek Wastewater Treatment Plant is an activated sludge, tertiary-level wastewater treatment plant. The District constructed the plant in 1975 to serve the community of Cameron Park. The District subsequently expanded the plant to 3.6 mgd average dry weather flow (“ADWF”) design permitted treatment capacity by projects completed in 1978, 1988, 1996, and 2004. The plant now also serves the communities of Diamond Springs, Cameron Park and El Dorado. In 1994, the District installed additional tertiary recycled facilities funded by, and now ultimately serving recycled water to lands of, Parker Development Company. In 2003 and 2004, the District upgraded the plant to meet requirements in the District’s wastewater discharge permit.

The Deer Creek Wastewater Treatment Plant’s most recent discharge permit (Waste Discharge Order No. R5-2008-0173) was adopted by the Regional Water Quality Control Board, Central Valley Region (the “Regional Board”) on June 6, 2014 and took effect on August 1, 2014. The Regional Board administers and enforces all federal and State discharge requirements including those promulgated under the National Pollutant Discharge Elimination System by the United States Environmental Protection Agency, the California Porter-Cologne Water Quality Control Act, and regulations adopted thereunder. The existing permit will expire on July 31, 2019. The District is required to file a Report of Waste Discharge with the Regional Board 180 days prior to the permit expiration date.

The El Dorado Hills Wastewater Treatment Plant is a tertiary treatment facility originally constructed in 1961. The District upgraded the plant to 1.6 mgd ADWF capacity via assessment district financing in 1985. The District expanded the plant to 3.0 mgd ADWF in 1997/1998 and 4.0 ADWF in 2010. The plant currently provides recycled water to customers in El Dorado Hills and is connected to the Deer Creek Wastewater Treatment Plant recycled system. The plant utilizes a 62,000,000 gallon on-site storage reservoir to store summer effluent for recycled water use.

The El Dorado Hills Wastewater Treatment Plant’s present wastewater discharge permit (Waste Discharge Order No. R5-2013-0003) was adopted on January 31, 2013, and took effect on March 22, 2013. The permit expires on March 1, 2018, and the District is required to file a Report of Waste Discharge with the Regional Board 180 days prior to the permit expiration date. The District is currently operating in compliance with its permit.

### Historic Wastewater Connections

The following table shows the growth in the number of wastewater connections to the Wastewater System for the last five audited Fiscal Years:

#### El Dorado Irrigation District Historic Wastewater Connections

<i>Fiscal Year Ended December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2015	21,620	1.2%
2014	21,365	1.1
2013	21,137	1.1
2012	20,906	0.8
2011	20,744	0.3

Source: The District – 2015 CAFR, Table 30.

### Historic Wastewater System Usage

The following table summarizes the volume of wastewater treated for the last five audited Fiscal Years:

#### El Dorado Irrigation District Historic Wastewater System Usage

<i>Fiscal Year Ended December 31</i>	<i>Daily Average Flow (mgd)<sup>(1)</sup></i>	<i>Increase/(Decrease)</i>
2015	3.71	(5.6)%
2014	3.93	(8.0)
2013	4.27	(3.2)
2012	4.41	(4.1)
2011	4.61	(6.3)

<sup>(1)</sup> Reduced daily average flow reflects the effects of declining consumption overall, mandatory conservation measures required by the 2015 Executive Order and reduction in inflow/infiltration to the collection system.. See the caption “THE WATER SYSTEM OF THE DISTRICT—California Drought and Response.”

Source: The District – 2015 CAFR, Table 30.

Wastewater System usage is affected by a number of factors, including but not limited to the number of connections to the Wastewater System and water usage of customers connected to the Wastewater System.

## Historic Wastewater Service Charge Revenues

The following table shows annual wastewater service charge revenues of the Wastewater System for the last five audited Fiscal Years:

### El Dorado Irrigation District Historic Wastewater Service Charge Revenues

<i>Fiscal Year Ended</i> <i>December 31</i>	<i>Service Charge Revenues</i>	<i>Increase/(Decrease)</i>
2015 <sup>(1)</sup>	\$19,836,033	0.6%
2014	19,715,764	2.1
2013	19,309,506	5.9
2012	18,226,984 <sup>(2)</sup>	(6.2)
2011	19,432,294	12.5

<sup>(1)</sup> Service charge revenues for Fiscal Year 2015 reflect the effects of mandatory conservation measures required by the 2015 Executive Order. See the caption “—California Drought and Response.”

<sup>(2)</sup> Decrease in wastewater service charge revenues in Fiscal Year 2012 reflects actual Wastewater System usage that was less than that which was presented in the cost of service study used to project wastewater service charges.

Source: The District.

A number of factors affect Wastewater service revenues, including the number of connections to the Wastewater System and Wastewater System rates and charges. See the captions “—Historic Wastewater Connections” and “—Wastewater System Rates and Charges.”

## Largest Customers

The following table sets forth the ten largest customers of the Wastewater System as of the Fiscal Year ending December 31, 2015 (the most recently completed audited Fiscal Year), as determined by annual payments:

### El Dorado Irrigation District Ten Largest Wastewater Customers

<i>Customer</i>	<i>Annual Payments</i>
Lake Oaks Mobile Home Park	\$ 136,647
Vineyards at Valley View	132,390
Cameron Park Senior Living, A California LLC	95,745
Sycamore Cameron Park LLC	89,306
Nugget Market, Inc.	85,174
Lake Forest Apartments LLC	82,817
Town Center East LP	72,483
Serrano Country Club	68,639
Cimmarron/Cambridge LP	65,390
Mercy Housing California XXI LP	65,171
<b>Total</b>	<b>\$ 893,760</b>

Source: The District – 2015 CAFR, Table 14.

These ten largest customers accounted for approximately 4.5% of wastewater sales from the Wastewater System and 1.1% of total District Revenues in Fiscal Year 2015.



## Wastewater System Rates and Charges

**General.** Wastewater rates consist of base flat charges and volumetric charges. The District bills residential customers a basic monthly charge on a bimonthly basis which consists of a base charge and a volumetric charge based on winter average water use. Commercial customers are billed a basic flat charge and a commodity charge per hundred cubic feet of metered water, depending on the type of business. Commercial customers without water service are billed a different basic charge and an additional unit charge.

On January 11, 2016 after a notice, public hearing and protest process described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218,” the Board of Directors approved Wastewater System rate increases of approximately 5% in Fiscal Year 2017, approximately 4% in Fiscal Year 2018, approximately 3% in Fiscal Year 2019, and approximately 3% in Fiscal Year 2020, subject to a quarterly review of the need to implement the rate increases and adjust the percentage of rate increase downward, if warranted. The approved increases are effective on January 1 of each year, beginning January 2017 through January 2020, unless otherwise adjusted. The Board of Directors may reduce such rates in the future, subject to the rate covenant described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Rate Covenant.” The Wastewater System projected operating results under the caption “—Projected Operating Results and Debt Service Coverage” are based on such approved rate increases and assume implementation of the approved rate increases by the Board of Directors in Fiscal Years 2017 through 2020.

A summary of the wastewater charges of the District for Fiscal Years 2015 and 2016 is shown in the following table:

### El Dorado Irrigation District Wastewater Rates Fiscal Years 2015 and 2016

	<u>1/1/2015</u>	<u>2/1/2016</u>
<b><i>Base Charge Wastewater</i></b>		
Residential Flat Rate District Average <sup>(1)</sup>	\$ 141.75	\$ 134.00
Single Family Residential	71.95	71.95
Multifamily Residential (per unit)	35.34	35.34
Commercial (all categories)	76.91	76.91
Commercial without water service (per unit)	119.81	119.81
Schools, per student and staff (billed annually)	11.80	11.80
<b><i>Commodity Charge Wastewater (per cf)</i></b>		
Single Family Residential	\$ 0.03878	\$ 0.03878
Multifamily Residential	0.03041	0.03041
Commercial – Low	0.04458	0.04458
Commercial – Medium/Low	0.06423	0.06423
Commercial – Medium	0.09578	0.09578
Commercial – Medium/High	0.14898	0.14898
Commercial – High	0.32453	0.32453

<sup>(1)</sup> Effective June 1, 2015, the residential flat rate District average consumption was recalculated. This reduced average consumption from 1,800 cf to 1,600 cf.  
Source: The District.

**Facility Capacity Charges.** The table below sets forth facility capacity charges for Fiscal Years 2015 and 2016 for the Wastewater System in various areas of the District. Facility capacity charges consist of a one-time connection fee.

**El Dorado Irrigation District  
Wastewater System Facility Capacity Charges  
Fiscal Years 2015 and 2016**

<i>2015 Rate</i>	<i>2016 Rate<sup>(1)</sup></i>
\$ 12,862	\$ 13,119

<sup>(1)</sup> Effective February 1, 2015.  
Source: The District.

**Wastewater Service Charges.** The table below sets forth a comparison of the average bi-monthly wastewater billings of the District for a single family residential user to those of similar wastewater purveyors as of November 2015. The average billing of the District assumes a 16 ccf (199 gpd) winter water use.

<i>Community</i>	<i>Bi-Monthly Bill</i>
City of Placerville	\$225.95
City of Colfax	217.32
Placer County SMD No. 1	191.56
City of Auburn	139.62
<i>El Dorado Irrigation District</i>	<i>134.00</i>
City of Grass Valley	110.00
City of Folsom	102.30
South Tahoe PUD	94.24
Rancho Murieta	93.06

Source: The District.

**Collection Procedures**

The District utilizes a bimonthly billing cycle for water, wastewater and recycled water services and sends a consolidated bill every other month to District customers. Payment is due by the 21st day after the billing date, and is considered delinquent if not paid within 5 business days of the due date. If payment is not received, a delinquency message and a \$10 late payment penalty will appear on a past due notice. Currently 5.9% of the accounts are 30 days delinquent, which represents approximately 3.5% of total Wastewater System Revenues. The Wednesday following the 10th day after the date of the past due notice, all accounts not paid in full will be sent a disconnect notice and the account is assessed a \$25 delinquent account penalty. All accounts remaining unpaid 7 days after the disconnect notice will receive a last-attempt phone call. Not less than 48 hours after the last-attempt phone call, the account will be subject to disconnection of service until full payment is received, including late penalties and an \$85 field call fee.

**Future Wastewater System Improvements**

The District projects total capital improvements to the Wastewater System for existing users of approximately \$13,000,000 over the next five years. The District projects capital improvements to the Wastewater System to accommodate future growth of approximately \$4,000,000 over the next five years. The District expects that such capital improvements will be funded by facility capacity charges, grants and Wastewater System Revenues. The District expects to obtain all environmental and other permits and approvals necessary for such capital improvements in a timely manner to permit expenditures on the referenced capital improvements.

## Projected Wastewater Connections

The following table shows the increase in the number of wastewater connections to the Wastewater System projected by the District for 2016 and the next four Fiscal Years:

### El Dorado Irrigation District Projected Wastewater Connections<sup>(1)</sup>

<i>Fiscal Year Ending December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2016	21,790	0.8%
2017	21,970	0.8
2018	22,143	0.8
2019	22,320	0.8
2020	22,500	0.8

<sup>(1)</sup> Number of wastewater connections presented are derived from engineering estimates contained within the District's 2013 Integrated Water Master Plan and Wastewater Facilities Master Plan, adjusted for recent conditions.  
Source: 2013 District Wastewater Facilities Master Plan.

The number of connections to the Wastewater System will be affected by the pace of development activity within the portions of the District served by the Wastewater System. See the caption "THE EL DORADO IRRIGATION DISTRICT—Certain Factors Affecting Growth" above.

## Projected Wastewater System Usage

The District currently estimates that Wastewater System usage for 2016 and the next four Fiscal Years will be as follows:

### El Dorado Irrigation District Projected Wastewater System Usage

<i>Fiscal Year Ending December 31</i>	<i>Daily Average Flow (mgd)<sup>(1)</sup></i>	<i>Increase/(Decrease)</i>
2016	4.19	13.0%
2017	4.22	0.8
2018	4.26	0.8
2019	4.29	0.8
2020	4.33	0.8

<sup>(1)</sup> Daily average flow estimate for Fiscal Year 2016 assumes partial recovery from drought conditions and estimate for Fiscal Years 2017 through 2020 assume 0.8% increase. See the caption "—California Drought and Response."  
Source: 2013 District Wastewater Facilities Master Plan.

Wastewater System usage will be affected by a number of factors, including connections to the Wastewater System and water usage by Wastewater System customers. See the caption "—Projected Wastewater Connections" above.

## Projected Wastewater Service Charge Revenues

The following table projects annual wastewater service charge revenues of the Wastewater System for Fiscal Year 2016 and the next four Fiscal Years. The projected wastewater service charge revenues reflect the rate increases approved by the Board of Directors for Fiscal Years 2017 through 2020. See the caption "—Wastewater System Rates and Charges."

**El Dorado Irrigation District  
Projected Wastewater Service Charge Revenues**

<i>Fiscal Year Ending December 31</i>	<i>Service Charge Revenues</i>	<i>Increase/(Decrease)</i>
2016	\$19,856,100	0.1%
2017	21,015,696	5.8
2018	22,031,175	4.8
2019	22,873,647	3.8
2020	23,748,335	3.8

---

Source: The District.

**The Recycled Water System**

The District operates two recycled water plants and a distribution system, which are connected and operated under a single Master Reclamation Permit.

Construction of the Deer Creek recycled system began in 1990 and was completed in 1994. Serrano, which paid for all capital costs associated with the filtration and delivery of the water in lieu of FCCs, has priority rights up to 2.5 mgd of available recycled water from the Deer Creek Wastewater Treatment Plant. The State Water Resources Control Board mandates that the District release up to 1.0 mgd into Deer Creek during the summer season, which reduces the ability of the plant to deliver recycled water.

The El Dorado Hills recycled water system at the El Dorado Hills Wastewater Treatment Plant began in 1979 when the District opted to construct a 62,000,000 gallon reservoir and a pumping system to supply recycled water to the El Dorado Hills Golf Course. The District constructed the 62,000,000 gallon reservoir and pumping plant with Clean Water Act grant funds.

The District's Recycled Water System currently cannot produce enough recycled water to meet demand on peak demand days. Therefore, the District supplements the recycled water with potable water. Potable water is supplied to the recycled water distribution system through air gaps located atop recycled water storage tanks. The five-year average for potable water supplementation to the Recycled Water System is 395 acre-feet per year. The recycled water metered demand shown under the caption "Historic Recycled Water System Demand" includes potable water supplementation.

### Historic Recycled Water Connections

The following table shows the growth in the number of recycled water connections to the Recycled Water System for the last five audited Fiscal Years:

#### El Dorado Irrigation District Historic Recycled Water Connections

<i>Fiscal Year Ended December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2015	4,916	7.6%
2014	4,568	5.5
2013	4,331	6.2
2012	4,077	(0.4)
2011	4,095	0.4

Source: The District – 2015 CAFR, Table 29.

### Historic Recycled Water System Usage

The following table summarizes the volume of recycled water distributed for the last five audited Fiscal Years:

#### El Dorado Irrigation District Historic Recycled Water System Demand In Acre-Feet Per Year

<i>Fiscal Year Ended December 31</i>	<i>Annual Total Demand<sup>(1)</sup></i>	<i>Increase/(Decrease)</i>
2015 <sup>(2)</sup>	2,349	(2.7)%
2014	2,413	(24.0)
2013	3,175	11.3
2012	2,853	27.0
2011	2,247	8.9

<sup>(1)</sup> To meet seasonal recycled water demands, the recycled water system demand may include supplemental potable water supplies ranging from approximately 200 to 600 acre-feet per year. See the caption “—The Recycled Water System.”

<sup>(2)</sup> Recycled Water System annual total demand for Fiscal Year 2015 reflects the effects of mandatory conservation measures required by the 2015 Executive Order. See the caption “—California Drought and Response.”

Source: Annual Water Resources and Service Reliability Reports – Active Demand Table 14.

A number of factors affect usage of recycled water, including connections to the Recycled Water System and weather conditions. See the caption “—Historic Recycled Water Connections” above.

## Historic Recycled Water Service Charge Revenues

The following table shows annual recycled water service charge revenues of the Recycled Water System for the last five audited Fiscal Years:

### El Dorado Irrigation District Historic Recycled Water Service Charge Revenues

<i>Fiscal Year Ended December 31</i>	<i>Service Charge Revenues</i>	<i>Increase/(Decrease)</i>
2015	\$1,606,491	2.4%
2014	1,568,582	(15.7)
2013	1,860,147	20.2
2012	1,546,911	49.4
2011	1,035,285	41.1

---

Source: The District.

The decrease in recycled water service charge revenues in Fiscal Year 2014 reflects voluntary conservation by District customers as a result of the District's emergency drought declaration and Stage 2 Water Warning. See the caption "—District Drought Response Actions and Impact" above.

## Largest Customers

The following table sets forth the ten large customers of the Recycled Water System as of December 31, 2015 (the most recently completed audited Fiscal Year), as determined by annual payments:

### El Dorado Irrigation District Largest Recycled Water Customers

<i>Customer</i>	<i>Annual Payments</i>
Serrano Country Club	\$ 158,990
Serrano El Dorado Owners Assoc.	140,034
Serrano Associates LLC	38,023
Four Seasons Owners Assoc.	26,884
El Dorado Hills CSD	22,794
Standard Pacific Corp.	20,884
Vineyards at Valley View	12,983
Blackstone Master Assoc.	11,561
Toll CA X CA LP	10,968
Buckeye Union School District	<u>10,312</u>
TOTAL	\$ 453,433

---

Source: The District.

These large customers accounted for approximately 28% of recycled water sales from the Recycled Water System and approximately 0.5% of total District Revenues in 2015.

## Recycled Water System Rates and Charges

**General.** Recycled water rates consist of basic flat charges and volumetric charges. Residential customers are billed a basic charge on a bimonthly basis. Commercial customers are billed a basic flat charge and a commodity charge per hundred cubic feet of metered water, depending on the type of business.

Commercial customers without water service are billed a different basic charge and an additional unit charge. As of February 1, 2016, the bimonthly basic charge is \$23.15 and the commodity charge is \$0.00668 per ccf for tier 1, \$0.01129 per cf for tier 2 and \$0.01700 per cf for tier 3.

On January 11, 2016 after a notice, public hearing and protest process described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218,” the Board of Directors approved Recycled Water System rate increases of approximately 5% in Fiscal Year 2016, approximately 5% in Fiscal Year 2017, approximately 4% in Fiscal Year 2018, approximately 3% in Fiscal Year 2019, and approximately 3% in Fiscal Year 2020, subject to a quarterly review of the need to implement the rate increases and adjust the percentage of rate increase downward, if warranted. The 5% rate increase for Fiscal Year 2016 took effect on February 1, 2016, and subsequent increases are effective on January 1 of each year, beginning January 2017 through January 2020, unless otherwise adjusted. The Board of Directors may reduce such rates in the future, subject to the rate covenant described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016A BONDS AND THE 2016B CERTIFICATES—Rate Covenant.” The Recycled Water System projected operating results under the caption “—Projected Operating Results and Debt Service Coverage” are based on such approved rate increases and assume implementation of the approved rate increases by the Board of Directors in Fiscal Years 2017 through 2020.

On February 4, 2014 the District’s Board of Directors approved an emergency drought declaration and a Stage 2 Water Warning under the District’s Drought Action Plan. Pursuant to the Stage 2 Water Warning, the District ceases potable water supplementation to its Recycled Water System, thereby reducing recycled water supply and sales revenues from the Recycled Water System. See the captions “—Historic Recycled Water System Usage” and “Historic Recycled Water Service Charge Revenues” above.

**El Dorado Irrigation District  
Recycled Water Rates and Charges<sup>(1)</sup>  
Fiscal Years 2015 and 2016**

	<u>1/1/2015</u>	<u>2/1/2016</u>
<b>Base Charge Recycled Water</b>		
Single Family Dual Plumbed Residential	\$ 22.05	\$ 23.15
Commercial Landscape/Recreational Turf		
5/8" and 3/4"	29.79	31.28
1"	43.26	45.42
1 1/2"	74.04	77.74
1 1/2"T	87.51	91.89
2"	112.51	118.14
2"T	112.51	118.14
3"	216.38	227.20
3"T	235.63	247.41
4"	331.81	348.80
4"T	414.53	435.26
6"	651.14	683.70
6"T	908.91	954.36
8"T	1,549.50	1,626.98
10"T	2,454.01	2,576.71
12"T	3,217.32	3,378.19
<b>Commodity Charge Recycled Water (per cf)</b>		
<b>Single Family Dual Plumbed Residential</b>		
0 - 3,000 cf (rate is 50% of potable water tier 1)	\$ 0.00636	\$ 0.00668
3,001 - 4,500 cf (rate is 70% of potable water tier 2)	0.01075	0.01129
Above 4,500 cf (rate is 90% of potable water tier 3)	0.01619	0.01700
Commercial Landscape	0.00875	0.00919
Recreational Turf	0.01034	0.01086

<sup>(1)</sup> 1 cf = 1 cubic foot of water.  
Source: The District.

**Facility Capacity Charges.** The table below sets forth facility capacity charge rates for Fiscal Years 2015 and 2016 for the Recycled Water System in various areas of the District. Facility capacity charges consist of a one-time connection fee.

**El Dorado Irrigation District  
Recycled Water System Facility Capacity Charges  
Fiscal Years 2015 and 2016**

<i>2015 Rate</i>	<i>2016 Rate<sup>(1)</sup></i>
\$ 3,046	\$ 3,107

<sup>(1)</sup> Effective February 1, 2015.  
Source: The District.

**Collection Procedures**

The District utilizes a bimonthly billing cycle for water, wastewater and recycled water services and sends a consolidated bill every other month to District customers. Payment is due by the 21st day after the billing date, and is considered delinquent if not paid within 5 business days of the due date. If payment is not received, a delinquency message and a \$10 late payment penalty will appear on a past due notice. Currently



0.6% of the accounts are 30 days delinquent, which represents approximately 0.3% of total Recycled Water System Revenues. The Wednesday following the 10th day after the date of the past due notice, all accounts not paid in full will be sent a disconnect notice and the account is assessed a \$25 delinquent account penalty. All accounts remaining unpaid 7 days after the disconnect notice will receive a last-attempt phone call. Not less than 48 hours after the last-attempt phone call, the account will be subject to disconnection of service until full payment is received, including late penalties and an \$85 field call fee.

**Future Recycled Water System Improvements**

The District projects total capital improvements to the Recycled Water System of approximately \$300,000 over the next five years. The District expects that such capital improvements will be funded by facility capacity charges and recycled water revenues. The District expects to obtain all environmental and other permits and approvals necessary for such capital improvements in a timely manner to permit expenditures on the referenced capital improvements.

**Projected Recycled Water Connections**

The following table shows the increase in the number of recycled water connections to the Recycled Water System projected by the District for 2016 and the next four Fiscal Years:

**El Dorado Irrigation District  
Projected Recycled Water Connections<sup>(1)</sup>**

<i>Fiscal Year Ending December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2016	5,035	2.4%
2017	5,155	2.4
2018	5,275	2.4
2019	5,400	2.4
2020	5,530	2.4

<sup>(1)</sup> Number of recycled water connections presented are derived from Table 4-8 of the District’s 2013 Wastewater Facilities Master Plan, which are used for projecting timing and sizing of wastewater and recycled water facility additions. The 2013 Wastewater Facilities Master Plan information was derived by engineering consultants using, in part, County of El Dorado Economic Development growth projections.  
Source: 2013 District Wastewater Facilities Master Plan.

The number of connections to the Recycled Water System will be affected by the pace of development activity within the portions of the District served by the Recycled Water System. See the caption “THE EL DORADO IRRIGATION DISTRICT—Certain Factors Affecting Growth” above.

## Projected Recycled Water System Demand

The District currently estimates that Recycled Water System demand for 2016 and the next four Fiscal Years will be as follows:

### El Dorado Irrigation District Projected Recycled Water System Demand In Acre-Feet Per Year

<i>Fiscal Year Ending December 31</i>	<i>Average Total Demand<sup>(1)</sup></i>	<i>Increase/(Decrease)</i>
2016	2,610	11.0%
2017	2,670	2.4
2018	2,735	2.4
2019	2,800	2.4
2020	2,865	2.4

<sup>(1)</sup> Demand estimate for Fiscal Year 2016 assumes partial recovery from drought conditions, and assumes an increase of approximately 2.4% for Fiscal Years 2017 through 2020. Recycled water demand will be highly variable year to year based on weather, climate and other factors. See the caption “—California Drought and Response.”

Source: 2013 District Wastewater Facilities Master Plan.

Recycled water deliveries will be affected by a number of factors, including connections to the Recycled Water System and weather conditions. See the caption “—Projected Recycled Water Connections” above.

## Projected Recycled Water Service Charge Revenues

The following table projects annual recycled water service charge revenues of the Recycled Water System for 2016 and the next four Fiscal Years. The projected recycled water service charge revenues reflect the rate increases approved by the Board of Directors for Fiscal Years 2017 to 2020. See the caption “—Recycled Water System Rates.”

### El Dorado Irrigation District Projected Recycled Water Service Charge Revenues

<i>Fiscal Year Ending December 31</i>	<i>Service Charge Revenues</i>	<i>Increase/(Decrease)</i>
2016	\$1,638,000	2.0%
2017	1,733,659	5.8
2018	1,817,430	4.8
2019	1,886,928	3.8
2020	1,959,084	3.8

Source: The District.

## Historic Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Wastewater System of the District, including the Recycled Water System for the last five audited Fiscal Years. These results have been derived from the District Financial Statements, but exclude certain receipts which are not included as Revenues under the Indenture and certain non-cash items and include certain other adjustments.

**El Dorado Irrigation District  
Wastewater System  
Historic Operating Results  
Fiscal Year Ended December 31**

	2015	2014	2013	2012 <sup>(4)</sup>	2011 <sup>(5)</sup>
<b>Revenues</b>					
Wastewater Service Charges	\$ 19,836,033	\$ 19,715,764	\$ 19,309,506	\$ 18,226,984	\$ 19,432,294
Facility Capacity Charges <sup>(1)</sup>	6,782,344	2,424,329	3,588,919	1,067,650	1,300,855 <sup>(10)</sup>
1% Property Tax Revenue <sup>(1)</sup>	4,286,052	4,010,547	3,692,401	4,660,579	3,792,379
Wastewater Service <sup>(2)</sup>	75,214	74,421	74,959	76,857	72,811
Surcharges <sup>(1)</sup>	998,562	998,783	998,445	1,003,989	1,006,160
Investment Income <sup>(1)</sup>	129,565	201,027	186,608	322,134	310,879
Recycled Water Reimbursement/Sales	1,606,491	1,568,582	1,860,147	1,546,911	1,035,285
Other Income <sup>(1)</sup>	<u>521,624</u>	<u>416,006</u>	<u>146,481</u>	<u>93,588</u>	<u>142,061<sup>(11)</sup></u>
Total Revenues	\$ 34,235,885	\$ 29,409,459	\$ 29,857,466	\$ 26,998,692	\$ 27,092,724
<b>Operation and Maintenance Costs<sup>(3)</sup></b>					
Communications <sup>(1)</sup>	\$ 141,639	\$ 172,111	\$ 195,214	\$ 188,141	\$ 182,991
Human Resources <sup>(1)</sup>	783,069	769,315	759,127	761,112	710,370
Information Technology <sup>(1)</sup>	763,958	793,482	702,007	780,043	844,904
Engineering <sup>(1)</sup>	1,180,710	985,431	1,024,433	1,021,290	986,477
Wastewater Operations	10,427,903	10,560,564	10,137,182	9,813,601	9,117,592
Recycled Water Operations	433,361	396,099	339,224	559,848	517,894
Finance <sup>(1)</sup>	1,885,510	1,988,065	2,196,638	2,190,820	2,249,613
Office of the General Manager <sup>(1)</sup>	856,011	798,040	560,606	702,895	648,448
Other Expense <sup>(1)(3)</sup>	<u>821,017</u>	<u>606,605</u>	<u>293,959</u>	<u>425,333</u>	<u>381,980<sup>(12)</sup></u>
Total Operation and Maintenance Costs	\$ 17,293,178	\$ 17,069,712	\$ 16,208,390	\$ 16,443,083	\$ 15,640,269
Net Revenues	\$ 16,942,707	\$ 12,339,747	\$ 13,649,076	\$ 10,555,609	\$ 11,452,455
<b>Senior Debt Service<sup>(6)</sup></b>					
2003 Installment Purchase Agreement	\$ --	\$ --	\$ --	\$ 1,055,036	\$ 1,204,409
2004A Installment Purchase Agreement	--	1,216,836 <sup>(8)</sup>	2,018,840 <sup>(7)</sup>	3,439,287	3,438,755
2008A Installment Purchase Agreement	13,265	22,503	39,606	68,903	90,060
2009A Installment Purchase Agreement	1,869,876	2,162,259	3,214,164	3,214,164	3,214,164
2010A Installment Purchase Agreement	331,533	331,533	331,533	331,533	331,533
2012A Bonds	970,363	970,363	970,363	132,078	--
2012B Bonds	95,676	95,005	96,107	2,701	--
2014 Bonds	<u>2,913,092<sup>(9)</sup></u>	<u>1,315,770</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Senior Debt Service	\$ 6,193,805	\$ 6,114,269	\$ 6,669,813	\$ 8,243,702	\$ 8,279,821
Senior Debt Service Coverage	2.74	2.02	2.05	1.28	1.38
Cash Available for Capital Projects or Other Purposes	\$ 10,748,902	\$ 6,225,478	\$ 6,979,263	\$ 2,311,907	\$ 3,172,634

<sup>(1)</sup> Represents the share allocated to the Wastewater System.

<sup>(2)</sup> Wastewater Service recategorized as Wastewater Service Charges and Other Income in Fiscal Year 2008.

<sup>(3)</sup> Includes fees payable with respect to the credit facility in place from time-to-time relating to the 2008 Certificates.

<sup>(4)</sup> Reflects restated Fiscal Year 2012 results as set forth in the Fiscal Year 2013 audited financial statements. See the caption "— Management Discussion With Respect to Fiscal Years 2011 through 2015" below.

<sup>(5)</sup> Reflects restated Fiscal Year 2011 results as set forth in the Fiscal Year 2012 audited financial statements. See the caption "— Management Discussion With Respect to Fiscal Years 2011 through 2015" below.

<sup>(6)</sup> Debt Service payments allocated to the Wastewater System.

<sup>(7)</sup> Reflects a prepayment of \$2,998,125 in 2012 for the payment due on March 1, 2013 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).

<sup>(8)</sup> Reflects a prepayment of \$2,998,125 in 2013 for the payment due on March 1, 2014 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).

<sup>(9)</sup> Reflects a prepayment of \$2,997,300 in 2014 for the payment due on March 1, 2015 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).

<sup>(10)</sup> Includes recognition of deferred revenue from prior year (which was not recorded in such year as Revenues) of approximately \$882,147.

<sup>(11)</sup> Reflects departmental presentation of “Other Income” rather than categorical presentation set forth in “Other Income” category found in the District’s audited financial statements.

<sup>(12)</sup> Reflects departmental presentation of “Other Expenses” rather than categorical presentation set forth in “Other Expenses” category found in the District’s audited financial statements.

Source: The District.

## **Management Discussion With Respect To Fiscal Years 2011 through 2015**

In Fiscal Years 2011, 2012 and 2013 the District prepaid \$1,998,750, \$2,998,125 and \$2,998,125 in principal and interest, respectively, of the installment payments related to the 2004A Installment Purchase Agreement. In Fiscal Year 2011, 100% of the prepayment was allocable to the Water System from Water System reserves. In Fiscal Year 2012, approximately 47.3% of such prepayments was allocable to the Wastewater System from Wastewater System reserves. In Fiscal Year 2013, approximately 47.3% of such prepayments was allocable to the Wastewater System from Wastewater System reserves. In Fiscal Year 2014, the District prepaid \$2,997,300 of principal and interest on the 2014 Bonds, with approximately 47.3% of such prepayments allocable to the Wastewater System from Wastewater System reserves. As a result of these and other actions, the District achieved 1.38 times senior debt service coverage in Fiscal Year 2011, 1.28 times senior debt service coverage in Fiscal Year 2012, 2.05 times senior debt service coverage in Fiscal Year 2013, 2.02 times senior debt service coverage in Fiscal Year 2014 and 2.74 times senior debt service coverage in Fiscal Year 2015.

In the District’s audited financial statements for Fiscal Year 2012, the District restated operating results for Fiscal Year 2011 to eliminate duplicate expenses attributed to compensated absences. The effect of such restatement was to reduce such costs by \$1,084,575. In addition, the Restated Fiscal Year 2011 Financial Statements reclassified certain items of income consolidation to better correspond to major income classifications. These reclassifications did not result in any change to Net Revenues or Senior Debt Service coverage.

In the District’s audited financial statements for Fiscal Year 2013, the District restated operating results for Fiscal Year 2012 to retroactively apply the change in treatment of debt issuance costs set forth in GASB 65, which the District began implementing in Fiscal Year 2013. In addition, the Restated Fiscal Year 2012 Financial Statements reclassified certain penalties and fees collected in order to be consistent with the District’s classification of such items in its audited financial statements for Fiscal Year 2013. The District restated its Fiscal Year 2012 operating results to reflect the effects of GASB 65 and internal reclassifications for Fiscal Year 2013 because the District’s audited financial statements present operating results in comparison with the operating results for the prior Fiscal Year. The Restated Fiscal Year 2012 Financial Statements did not result in any change to Net Revenues or Senior Debt Service coverage.

## **Projected Operating Results and Debt Service Coverage**

The District’s estimated projected operating results for the Wastewater System for Fiscal Year 2016 and the next four Fiscal Years, including the Recycled Water System, are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District’s estimate of projected financial results based upon a variety of assumptions, including the assumptions set forth in the footnotes to the chart below. All of such assumptions are material in the development of the District’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.

**El Dorado Irrigation District  
Wastewater System  
Projected Operating Results  
Fiscal Year Ended December 31**

	<i>2016<sup>(1)</sup></i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
<b>Revenues</b>					
Wastewater Service Charges <sup>(2)</sup>	\$ 19,856,100	\$ 21,015,696	\$ 22,031,175	\$ 22,873,647	\$ 23,748,335
Facility Capacity Charges <sup>(3)(21)</sup>	2,605,500	2,605,500	2,605,500	2,605,500	2,605,500
1% Property Tax Revenue <sup>(4)</sup>	4,360,000	4,447,200	4,536,144	4,626,867	4,719,404
Surcharges <sup>(5)</sup>	884,949	892,029	899,165	906,358	913,609
Investment Income <sup>(6)</sup>	300,000	300,000	300,000	300,000	300,000
Recycled Water Reimbursement/Sales <sup>(7)</sup>	1,638,000	1,733,659	1,817,430	1,886,928	1,959,084
Other Income <sup>(8)</sup>	<u>1,241,000</u>	<u>1,250,928</u>	<u>1,260,935</u>	<u>1,241,000</u>	<u>1,250,928</u>
Total Revenues	\$ 30,885,549	\$ 32,245,012	\$ 33,450,349	\$ 34,440,300	\$ 35,496,860
<b>Operation and Maintenance Costs</b>					
Communications <sup>(9)</sup>	\$ 163,156	\$ 166,419	\$ 169,747	\$ 173,142	\$ 176,605
Human Resources <sup>(9)</sup>	852,518	869,569	886,960	904,699	922,793
Information Technology <sup>(9)</sup>	811,237	827,462	844,011	860,891	878,109
Engineering <sup>(9)</sup>	1,178,942	1,202,521	1,226,573	1,251,103	1,276,126
Water Operations <sup>(9)</sup>	--	--	--	--	--
Wastewater Operations <sup>(9)</sup>	11,005,011	11,225,112	11,449,614	11,678,606	11,912,178
Recycled Water Operations <sup>(9)</sup>	472,950	482,409	492,057	501,898	511,936
Finance <sup>(9)</sup>	1,974,578	2,014,069	2,054,351	2,095,438	2,137,346
Hydroelectric <sup>(9)</sup>	--	--	--	--	--
Office of the General Manager <sup>(9)</sup>	1,178,527	1,202,098	1,226,140	1,250,663	1,275,676
Recreation <sup>(9)</sup>	--	--	--	--	--
Other Expense <sup>(10)</sup>	<u>441,810</u>	<u>441,810</u>	<u>441,810</u>	<u>441,810</u>	<u>441,810</u>
Total Operation and Maintenance Costs	\$ 18,078,729	\$ 18,431,469	\$ 18,791,263	\$ 19,158,250	\$ 19,532,579
Net Revenues	\$ 12,806,820	\$ 13,813,543	\$ 14,659,086	\$ 15,282,050	\$ 15,964,281
<b>Senior Debt Service<sup>(11)</sup></b>					
2008A Installment Purchase Agreement <sup>(12)</sup>	\$ 432,303	\$ 1,296,909	\$ 2,161,515	\$ 2,161,515	\$ 2,161,515
2009A Installment Purchase Agreement <sup>(13)</sup>	1,671,198	1,473,577	1,474,105	1,474,721	--
2010A Installment Purchase Agreement <sup>(14)</sup>	331,533	331,533	331,533	331,533	331,533
2012A Bonds <sup>(15)</sup>	970,363	3,223,196	3,222,206	3,217,401	3,216,312
2012B Bonds <sup>(16)</sup>	93,902	93,934	93,705	95,300	94,445
2014 Bonds <sup>(17)(18)(19)</sup>	2,904,623	2,909,394	2,904,201	2,902,216	2,897,806
2016A Bonds <sup>(20)</sup>	<u>55,595</u>	<u>384,890</u>	<u>384,890</u>	<u>384,890</u>	<u>1,777,490</u>
Total Senior Debt Service	\$ 6,459,517	\$ 9,713,433	\$ 10,572,155	\$ 10,567,576	\$ 10,479,101
Senior Debt Service Coverage	1.98	1.42	1.39	1.45	1.52
Cash Available for Capital Projects or Other Purposes	\$ 6,347,303	\$ 4,100,110	\$ 4,086,931	\$ 4,714,474	\$ 5,485,180

<sup>(1)</sup> Based on Fiscal Year 2016 budget adopted on November 9, 2015. See the caption "EL DORADO IRRIGATION DISTRICT—Budget Process."

<sup>(2)</sup> Based on projected wastewater service charges described under the caption "—Projected Wastewater Service Charge Revenues" and projected increases in retail wastewater rates and charges described under the caption "—Wastewater System Rates and Charges."

<sup>(3)</sup> Represents facility capacity charges projected to be collected from operation of the Wastewater System.

<sup>(4)</sup> Represents the share allocated to the Wastewater System. Property taxes collected are allocated between the Water and Wastewater Systems at the District's discretion. See the caption "EL DORADO IRRIGATION DISTRICT—1% Property Tax Revenues."

<sup>(5)</sup> Represents surcharges projected to be collected from operation of the Wastewater System. Projected to remain near Fiscal Year 2015 level for Fiscal Years 2016 through 2020.

<sup>(6)</sup> Projected at 1% - 1.5% per annum on Wastewater System reserves.

<sup>(7)</sup> Based on projected recycled water sales described under the caption "—Projected Recycled Water Service Charge Revenues" and projected increases in recycled water rates and charges described under the caption "—Recycled Water System Rates."

<sup>(8)</sup> In 2010 the District implemented fee programs for its Industrial Pretreatment Program and Cross Connection Program, a State-mandated wastewater and recycled water testing program. It is estimated that these fees will generate \$425,000 per annum. Also included for Fiscal Years 2016 through 2020 are approximately \$400,000 in service charges and \$350,000 in miscellaneous income.

(Footnotes continued on following page)

(Continued from previous page)

- <sup>(9)</sup> Fiscal Year 2016 amounts reflect budgeted amounts. From Fiscal Year 2016 – 2020, increases in amounts are projected at a rate of 2% per annum.
- <sup>(10)</sup> Projected to remain near Fiscal Year 2015 amounts. Includes fees payable from time-to-time with respect to the Credit Facility Agreement. See the caption “—Other Outstanding Revenue Obligations.”
- <sup>(11)</sup> Debt service allocated to Wastewater System.
- <sup>(12)</sup> Portion of 2008A Installment Payments allocated to the Wastewater System. Variable rate 2008A Installment Payments projected at 1% for Fiscal Year 2016, 3% for Fiscal Year 2017 and 5% per annum for Fiscal Years 2017 – 2020.
- <sup>(13)</sup> Portion of 2009A Installment Payments allocated to the Wastewater System, net of capitalized interest.
- <sup>(14)</sup> Portion of 2010A Installment Payments allocated to the Wastewater System.
- <sup>(15)</sup> Portion of payments of principal of and interest on 2012A Bonds allocated to the Wastewater System.
- <sup>(16)</sup> Portion of payments of principal of and interest on 2012B Bonds allocated to the Wastewater System.
- <sup>(17)</sup> Portion of payments of principal of and interest on 2014 Bonds allocated to the Wastewater System.
- <sup>(18)</sup> Reflects prepayment in 2015 of \$2,998,800 in principal and interest due on March 1, 2016 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- <sup>(19)</sup> Reflects projected prepayment in Fiscal Years 2016 through 2019 of \$3,000,000 in principal and interest due on March 1, 2017 through 2020 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- <sup>(20)</sup> Projected at an all-in true interest cost of 2.69% per annum and an aggregate principal amount of \$18,355,000.
- <sup>(21)</sup> Revenues from Facility Capacity Charges based on District projection of operating results from Fiscal Year 2013 to Fiscal Year 2017. Projected number of wastewater and recycled water connections are derived from engineering estimates contained within the District’s 2013 Wastewater Facilities Master Plan, which are used for projecting timing and sizing of wastewater and recycled water facility additions. The 2013 Wastewater Facilities Master Plan information was derived by engineering consultants using, in part, County of El Dorado Economic Development growth projections.  
Source: The District.

## FINANCIAL INFORMATION OF THE DISTRICT

### Financial Statements

A copy of the most recent audited basic financial statements of the District for the Fiscal Year ending December 31, 2015 prepared by [Richardson & Company] (the “Auditor”) are included as Appendix A hereto (the “Financial Statements”). [The Auditor’s letter concludes that the audited basic financial statements referred to above present fairly, in all material respects, the financial position of the El Dorado Irrigation District as of December 31, 2015, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller’s Office and state regulations governing special districts.] The Auditor has not reviewed the information contained in this Official Statement, nor has the Auditor been asked to consent to the inclusion of the Financial Statements herein.

As discussed in the financial statements, certain errors resulting in an overstatement of cash and cash equivalents, debt issuance costs and long-term liabilities and an understatement of investments as of December 31, 2011 as well as an overstatement of expenses for the year ended December 31, 2011, were discovered by management of the District during Fiscal Year 2012. Accordingly, amounts reported for cash and cash equivalents, deferred outflows, long-term liabilities, investments and expenses have been restated in the 2011 financial statements, and an adjustment was made to net position as of December 31, 2011 to correct the errors.

The summary operating results contained under the caption “—Historic Operating Results and Debt Service Coverage” are derived from these financial statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

### Historic Operating Results and Debt Service Coverage

The following table is a summary of operating results of the District, for the last five audited Fiscal Years. These results have been derived from the District Financial Statements but exclude certain receipts which are not included as Revenues under the Indenture and certain non-cash items and include certain other adjustments.

**El Dorado Irrigation District  
Historic Operating Results  
Fiscal Year Ended December 31**

	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012<sup>(1)</sup></i>	<i>2011<sup>(2)</sup></i>
<b>Revenues</b>					
Water Sales	\$ 25,344,067	\$ 26,170,261	\$ 29,284,316	\$ 24,091,130	\$ 19,993,675
Wastewater Service Charges	19,836,033	19,715,764	19,309,506	18,226,984	19,432,294
Facility Capacity Charges	13,924,346	4,543,463	5,453,083	2,301,118	2,772,501 <sup>(12)</sup>
1% Property Tax Revenue	10,715,130	10,026,368	9,231,002	9,321,158	9,480,947
Water Service <sup>(3)</sup>	1,127,115	977,583	1,100,849	367,528 <sup>(16)</sup>	2,325,803
Wastewater Service <sup>(4)</sup>	75,214	74,421	74,959	76,857	72,811
Surcharges	2,447,917	2,270,694	2,295,145	2,222,984	2,235,904
Investment Income	331,316	498,756	410,084	735,930	701,941
Recreation Fees	1,349,431	1,301,719	1,266,333	1,147,811	1,061,795
Reclaimed Water Reimbursement/Sales	1,606,491	1,568,582	1,860,147	1,546,911	1,035,285
Hydroelectric Revenues	4,159,925	5,205,980	7,878,903	6,777,760	11,631,272
Other Income	<u>3,717,617<sup>(11)</sup></u>	<u>1,528,537</u>	<u>1,148,497</u>	<u>1,826,466</u>	<u>1,812,767<sup>(13)</sup></u>
Total Revenues	\$ 84,634,602	\$ 73,882,128	\$ 79,312,824	\$ 68,642,637	\$ 72,556,995
<b>Operation and Maintenance Costs<sup>(5)</sup></b>					
Communications	\$ 381,335	\$ 463,375	\$ 517,477	\$ 498,729	\$ 485,148
Human Resources	2,108,263	2,071,234	2,012,312	2,017,574	1,883,317
Information Technology	2,056,810	2,136,297	1,860,896	2,067,756	2,240,046
Engineering	2,782,017	2,596,458	2,562,536	2,447,135	2,598,470
Water Operations	11,621,987	10,947,044	11,124,989	9,843,204	8,924,791
Wastewater Operations	10,427,903	10,560,564	10,137,182	9,813,601	9,117,592
Recycled Water Operations	433,361	396,099	339,224	559,848	517,894
Finance	6,384,364	6,768,921	7,221,787	6,766,809	6,904,315
Hydroelectric <sup>(6)</sup>	3,414,272	3,229,517	3,128,963	2,766,311	3,239,346
Office of the General Manager	2,304,646	2,148,568	1,486,068	1,863,250	1,719,583 <sup>(14)</sup>
Recreation	1,274,760	1,289,294	1,191,514	1,138,630	1,060,744
Other Expense <sup>(7)</sup>	<u>2,061,639</u>	<u>1,974,016</u>	<u>1,843,842</u>	<u>1,178,856</u>	<u>978,182<sup>(15)</sup></u>
Total Operation and Maintenance Costs	\$ 45,251,357	\$ 44,581,387	\$ 43,426,790	\$ 40,961,703	\$ 39,669,428
Net Revenues	\$ 39,383,245	\$ 29,300,741	\$ 35,886,034	\$ 27,680,934	\$ 32,887,567
<b>Pre-existing Obligations</b>					
Existing State Loans	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>	<u>\$ 1,079,317</u>
Total Pre-existing Obligations	\$ 1,079,317	\$ 1,079,317	\$ 1,079,317	\$ 1,079,317	\$ 1,079,317
Net Revenues Available for Senior Debt Service Coverage	\$ 38,303,928	\$ 28,221,424	\$ 34,806,717	\$ 26,601,617	\$ 31,808,250
<b>Senior Debt Service</b>					
2003 Installment Purchase Agreement	\$ --	\$ --	\$ --	\$ 2,476,030	\$ 2,826,588
2004A Installment Purchase Agreement	--	2,552,114 <sup>(9)</sup>	4,266,469 <sup>(8)</sup>	5,272,469 <sup>(8)</sup>	7,270,094
2008A Installment Purchase Agreement	33,969	57,627	101,424	176,447	232,933
2009A Installment Purchase Agreement	4,249,719	4,914,225	7,304,919	7,304,919	7,304,919
2010A Installment Purchase Agreement	778,063	778,063	778,063	778,063	778,063
2012A Bonds	2,277,313	2,277,313	2,277,313	309,968	--
2012B Bonds	224,538	222,963	225,550	6,338	--
2014 Bonds	6,496,638 <sup>(10)</sup>	2,934,366	--	--	--
Additional State Loans	<u>373,310</u>	<u>373,310</u>	<u>373,310</u>	<u>373,313</u>	<u>373,313</u>
Total Senior Debt Service	\$ 14,433,550	\$ 14,109,981	\$ 15,327,048	\$ 16,697,547	\$ 18,785,910
Senior Debt Service Coverage	2.65	2.00	2.27	1.59	1.69
Cash Available for Capital Projects or Other Improvements	\$ 23,870,378	\$ 14,111,443	\$ 19,479,669	\$ 9,904,070	\$ 13,022,340

(Footnotes on following page)

- (1) Reflects restated Fiscal Year 2012 results as set forth in the Fiscal Year 2013 audited financial statements. See the caption “—Management Discussion With Respect to Fiscal Years 2011 through 2015” below.
- (2) Reflects restated Fiscal Year 2011 results as set forth in the Fiscal Year 2012 audited financial statements. See the caption “—Management Discussion With Respect to Fiscal Years 2011 through 2015” below.
- (3) Water Service revenues recategorized as Water Sales and Other Income beginning in Fiscal Year 2010.
- (4) Wastewater Service recategorized as Wastewater Service Charges and Other Income in Fiscal Year 2008.
- (5) In Fiscal Year 2009, Operation and Maintenance Costs were recategorized to reallocate Facilities Management expenses to the Water Operations, Wastewater Operations, Recycled Water Operations, Facilities Administration and Engineering categories. In addition, Environmental Compliance expenses were reallocated to the Natural Resources category, Office of the General Manager expenses were reallocated to the Human Resources and Information Technology categories and Strategic Management expenses were reallocated to the Communications category.
- (6) Included in the line item for Facilities Management in the Financial Statements. See the caption “—Management Discussion With Respect to Fiscal Years 2011 through 2015” below.
- (7) Includes fees payable with respect to the Credit Facility Agreement in place from time-to-time relating to the 2008 Certificates.
- (8) Reflects a prepayment of \$1,998,125 in 2011 for the payment due on March 1, 2012 (100% of this prepayment was allocated to the Water System) and a prepayment of \$2,998,125 in 2012 for the payment due on March 1, 2013 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- (9) Reflects a prepayment of \$2,998,125 in 2013 for the payment due on March 1, 2014 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- (10) Reflects a prepayment of \$2,997,300 in 2014 for the payment due on March 1, 2015 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- (11) Fiscal Year 2015 amount includes \$1,849,860 resulting from a one-time water transfer. See the caption “Historic Water Sales Revenues—Water Transfer.”
- (12) Includes recognition of deferred revenue from prior year (which was not recorded in such year as Revenues) of approximately \$1,207,229.
- (13) Excludes non-cash accrual of other post-employment benefits in the amount of approximately \$1,844,511 accounted for in the line item “Personal Expense” in the District’s Audited Financial Statements attached hereto as Appendix A.
- (14) Reflects departmental presentation of “Other Income” rather than categorical presentation set forth in “Other Income” category found in the District’s audited financial statements.
- (15) Reflects departmental presentation of “Other Expenses” rather than categorical presentation set forth in “Other Expenses” category found in the District’s audited financial statements.
- (16) Reflects reclassification of miscellaneous fees from “Water Service” to “Other Income” as set forth in the restated Fiscal Year 2012 operating results shown in the Fiscal Year 2014 audited financial statements. See the caption “—Management Discussion With Respect to Fiscal Years 2011 through 2015” below.

Source: The District.

## **Management Discussion With Respect To Fiscal Years 2011 through 2015**

In Fiscal Years 2011, 2012 and 2013 the District prepaid \$1,998,750, \$2,998,125 and \$2,998,125 in principal and interest, respectively, of the installment payments related to the 2004A Installment Purchase Agreement. In Fiscal Year 2011, 100% of the prepayment was allocable to the Water System from Water System reserves. In Fiscal Year 2012, approximately 52.7% of such prepayments was allocable to the Water System from Water System reserves and 47.3% of such prepayments was allocable to the Wastewater System from Wastewater System reserves. In Fiscal Year 2013, approximately 52.7% of such prepayments was allocable to the Water System from Water System reserves and 47.3% of such prepayments was allocable to the Wastewater System from Wastewater System reserves. In Fiscal Year 2014, the District prepaid \$2,997,300 of principal and interest on the 2014 Bonds, with approximately 52.7% of such prepayments allocable to the Water System from Water System reserves and 47.3% allocable to the Wastewater System from Wastewater System reserves. As a result of these and other actions, the District achieved 1.69 times senior debt service coverage in Fiscal Year 2011, 1.59 times senior debt service coverage in Fiscal Year 2012, 2.27 times senior debt service coverage in Fiscal Year 2013, 2.00 times senior debt service coverage in Fiscal Year 2014 and 2.65 times senior debt service coverage in Fiscal Year 2015.

In the District’s audited financial statements for Fiscal Year 2012, the District restated operating results for Fiscal Year 2011 to eliminate duplicate expenses attributed to compensated absences. The effect of such restatement was to reduce such costs by \$1,084,575. In addition, the Restated Fiscal Year 2011 Financial Statements reclassified certain items of income consolidation to better correspond to major income classifications. These reclassifications did not result in any change to New Revenues or Senior Debt Service coverage.

In the District’s audited financial statements for Fiscal Year 2013, the District restated operating results for Fiscal Year 2012 to retroactively apply the change in treatment of debt issuance costs set forth in



GASB 65, which the District began implementing in Fiscal Year 2013. In addition, the Restated Fiscal Year 2012 Financial Statements reclassified certain penalties and fees collected in order to be consistent with the District's classification of such items in its audited financial statements for Fiscal Year 2013. The District restated its Fiscal Year 2012 operating results to reflect the effects of GASB 65 and internal reclassifications for Fiscal Year 2013 because the District's audited financial statements present operating results in comparison with the operating results for the prior Fiscal Year. The Restated Fiscal Year 2012 Financial Statements did not result in any change to Net Revenues or Senior Debt Service coverage.

### **Projected Operating Results and Debt Service Coverage**

The estimated projected operating results for the District for Fiscal Year 2016 and the next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on a variety of assumptions, including the assumptions set forth in the footnotes to the chart below. All of such assumptions are material in the development of the District'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.

**El Dorado Irrigation District  
Projected Operating Results  
Fiscal Year Ended December 31**

	<i>2016<sup>(1)</sup></i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
<b>Revenues</b>					
Water Sales <sup>(2)</sup>	\$ 28,350,000	\$ 29,767,500	\$ 30,958,200	\$ 31,886,946	\$ 32,843,554
Wastewater Service Charges <sup>(3)</sup>	19,856,100	21,015,696	22,031,175	22,873,647	23,748,335
Facility Capacity Charges <sup>(4)(26)</sup>	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
1% Property Tax Revenue <sup>(5)</sup>	10,900,000	11,118,000	11,340,360	11,567,167	11,798,510
Surcharges <sup>(6)</sup>	1,979,048	1,986,128	1,993,264	2,000,457	2,007,708
Flood Damage Reimbursement	--	--	--	--	--
Investment Income <sup>(7)</sup>	750,000	750,000	750,000	750,000	750,000
Recreation Fees <sup>(8)</sup>	1,356,600	1,383,732	1,411,407	1,439,635	1,468,427
Reclaimed Water Reimbursement/Sales <sup>(9)</sup>	1,638,000	1,733,659	1,817,430	1,886,928	1,959,084
Hydroelectric Revenues <sup>(10)</sup>	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Other Income <sup>(11)</sup>	<u>2,006,000</u>	<u>2,015,928</u>	<u>2,025,935</u>	<u>2,006,000</u>	<u>2,015,928</u>
Total Revenues	\$ 79,835,748	\$ 82,770,643	\$ 85,327,771	\$ 87,410,780	\$ 89,591,546
<b>Operation and Maintenance Costs<sup>(4)</sup></b>					
Communications <sup>(12)</sup>	\$ 432,497	\$ 441,147	\$ 449,970	\$ 458,969	\$ 468,149
Human Resources <sup>(12)</sup>	2,259,875	2,305,073	2,351,174	2,398,197	2,446,161
Information Technology <sup>(12)</sup>	2,150,445	2,193,454	2,237,323	2,282,069	2,327,711
Engineering <sup>(12)</sup>	2,750,440	2,805,449	2,861,560	2,918,789	2,977,165
Water Operations <sup>(12)s</sup>	11,553,146	11,784,208	12,019,893	12,260,291	12,505,496
Wastewater Operations <sup>(12)</sup>	11,005,011	11,225,112	11,449,614	11,678,606	11,912,178
Recycled Water Operations	472,950	482,409	492,057	501,898	511,936
Finance <sup>(12)</sup>	6,658,462	6,791,631	6,927,464	7,066,014	7,207,333
Hydroelectric <sup>(12)</sup>	3,651,651	3,724,684	3,799,178	3,875,161	3,952,664
Office of the General Manager <sup>(12)</sup>	3,124,067	3,186,548	3,250,279	3,315,285	3,381,591
Recreation <sup>(12)</sup>	1,384,103	1,411,785	1,440,021	1,468,821	1,498,198
Other Expense <sup>(13)</sup>	<u>1,108,460</u>	<u>1,108,460</u>	<u>1,108,460</u>	<u>1,108,460</u>	<u>1,108,460</u>
Total Operation and Maintenance Costs	\$ 46,551,107	\$ 47,459,960	\$ 48,386,993	\$ 49,332,560	\$ 50,297,042
Net Revenues	\$ 33,284,641	\$ 35,310,683	\$ 36,940,778	\$ 38,078,220	\$ 39,294,504
<b>Pre-existing Obligations</b>					
Existing State Loans <sup>(14)</sup>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>	<u>\$ 1,079,200</u>
Total Pre-existing Obligations	\$ 1,079,200	\$ 1,079,200	\$ 1,079,200	\$ 1,079,200	\$ 1,079,200
Net Revenues Available for Senior Debt Service Coverage	\$ 32,205,441	\$ 34,231,483	\$ 35,861,578	\$ 36,999,020	\$ 38,215,304
<b>Senior Debt Service</b>					
2008A Installment Purchase Agreement <sup>(15)</sup>	\$ 1,107,050	\$ 3,321,150	\$ 5,535,250	\$ 5,535,250	\$ 5,535,250
2009A Installment Purchase Agreement <sup>(16)</sup>	3,798,178	3,349,038	3,350,238	3,351,638	--
2010A Installment Purchase Agreement <sup>(17)</sup>	778,063	778,063	778,063	778,063	778,063
2012A Bonds <sup>(18)</sup>	2,277,313	7,564,413	7,562,088	7,550,813	7,548,256
2012B Bonds <sup>(19)</sup>	220,375	220,450	219,913	223,656	221,650
2014 Bonds <sup>(20)(21)(22)</sup>	6,482,563	6,492,963	6,481,938	6,477,688	6,468,313
2016A Bonds <sup>(23)</sup>	126,353	874,750	874,750	874,750	4,039,750
2016B Installment Purchase Agreement <sup>(24)</sup>	295,136	2,043,250	2,043,250	2,043,250	2,043,250
Additional State Loans <sup>(25)</sup>	<u>373,310</u>	<u>373,310</u>	<u>373,310</u>	<u>373,310</u>	<u>373,310</u>
Total Senior Debt Service	\$ 15,458,341	\$ 25,017,387	\$ 27,218,800	\$ 27,208,418	\$ 27,007,842
Senior Debt Service Coverage	2.08	1.37	1.32	1.36	1.41
Cash Available for Capital Projects or Other Improvements	\$ 16,747,100	\$ 9,214,096	\$ 8,642,778	\$ 9,790,602	\$ 11,207,462

(1) Based on Fiscal Year 2016 budget adopted on November 9, 2015. See the caption "EL DORADO IRRIGATION DISTRICT—Budget Process."

(2) Based on projected water sales described under the caption "THE WATER SYSTEM OF THE DISTRICT—Projected Water Sales Revenues" and projected increases in retail water rates and charges described under the caption "THE WATER SYSTEM OF THE DISTRICT—Water System Rates and Charges," as adjusted to reflect the Stage 2 Drought Declaration approved by the Board of Directors on February 4, 2014.

(Footnotes continued on following page)

(Continued from previous page)

- <sup>(3)</sup> Based on projected wastewater service charges described under the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Projected Wastewater Service Charge Revenues” and projected increases in retail wastewater rates and charges described under the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Wastewater System Rates and Charges.”
- <sup>(4)</sup> Represents facility capacity charges projected to be collected from operation of the Water System and the Wastewater System.
- <sup>(5)</sup> Property taxes collected are allocated between the Water and Wastewater Systems at the District’s discretion. See the caption “EL DORADO IRRIGATION DISTRICT—1% Property Tax Revenues.” Projected to increase by 2% per annum.
- <sup>(6)</sup> Represents surcharges projected to be collected from the Water System and the Wastewater System. Projected to remain near Fiscal Year 2015 level for Fiscal Years 2016 through 2020.
- <sup>(7)</sup> Projected at 1% - 1.5% per annum on projected Water System and Wastewater System reserves.
- <sup>(8)</sup> Based on District projections.
- <sup>(9)</sup> Based on projected recycled water sales described under the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Projected Recycled Water Service Charge Revenues” and projected increases in recycled water system rates described under the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Recycled Water System Rates.”
- <sup>(10)</sup> Hydroelectric revenues projected to remain at amount originally included in Fiscal Year 2016 budget as a result of hydrologic conditions. See the caption “THE WATER SYSTEM OF THE DISTRICT—Hydroelectric Revenues.”
- <sup>(11)</sup> Includes projected water sales to City of Placerville at wholesale rates. See the caption “EL DORADO IRRIGATION DISTRICT—Service Area.” Also includes revenues from Industrial Pretreatment Program and Cross Connection Program, a State mandated wastewater and recycled water testing program.
- <sup>(12)</sup> Fiscal Year 2016 amounts reflect adopted budget. From Fiscal Year 2017, increases in amounts are projected at a rate of 2% per annum.
- <sup>(13)</sup> Projected to remain at Fiscal Year 2015 amounts. Includes fees payable from time-to-time with respect to the Credit Facility Agreement. See the caption “—Other Outstanding Revenue Obligations.”
- <sup>(14)</sup> Reflects payments under State Revolving Fund loan relating to District’s Reservoir 2/2A facility. See the caption “EL DORADO IRRIGATION DISTRICT—Other Outstanding Revenue Obligations—Pre-Existing Obligations.”
- <sup>(15)</sup> Variable rate 2008A Installment Payments projected at 1% for Fiscal Year 2016, 3% for Fiscal Year 2017 and 5% per annum for Fiscal Years 2018 - 2020.
- <sup>(16)</sup> 2009A Installment Payments, net of capitalized interest.
- <sup>(17)</sup> 2010A Installment Payments, net of capitalized interest.
- <sup>(18)</sup> Payments of principal of and interest on 2012A Bonds, net of capitalized interest.
- <sup>(19)</sup> Payments of principal of and interest on 2012A Bonds, net of capitalized interest.
- <sup>(20)</sup> Payments of principal of and interest on 2014 Bonds, net of earnings on Reserve Fund.
- <sup>(21)</sup> Reflects prepayment in 2015 of \$2,998,800 in principal and interest due on March 1, 2016 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- <sup>(22)</sup> Reflects projected prepayment in Fiscal Years 2016 through 2019 of \$3,000,000 in principal and interest due on March 1, 2017 through 2020 (52.7% of this prepayment was allocated to the Water System and 47.3% was allocated to the Wastewater system).
- <sup>(23)</sup> Projected at an all-in true interest cost of 2.69% per annum and an aggregate principal amount of \$18,355,000.
- <sup>(24)</sup> Projected at an all-in true interest cost of 2.88% per annum and an aggregate principal amount of \$49,300,000.
- <sup>(25)</sup> Represents loan payments under the DPH Contract which are on parity with the Installment Purchase Agreement. See the caption “EL DORADO IRRIGATION DISTRICT—Other Outstanding Revenue Obligations.”
- <sup>(26)</sup> Revenues from Facility Capacity Charges based on District projection of operating results from Fiscal Year 2016 to Fiscal Year 2020. Projected number of water, wastewater and recycled water connections are derived from engineering estimates contained within the District’s 2013 Water Resource Master Plan – Table 9-2 and the 2013 Wastewater Facilities Master Plan, which are used for projecting timing and sizing of facility additions. Such estimates were derived by engineering consultants using, in part, County of El Dorado Economic Development growth projections.  
Source: The District.

## CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

### Article XIII B

The State Constitution 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 XIII B 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:

(a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation); and (b) the investment of tax revenues. Article XIII B 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 District is of the opinion that the rates imposed by the District do not exceed the costs that the District reasonably bears in providing water or wastewater service. The District will covenant in the Indenture that, to the fullest extent permitted by law, it will prescribe rates and charges sufficient to provide Net Revenues for payment of principal of and interest on the 2016A Bonds and the Installment Payments in each year.

### **Proposition 218**

**General.** An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

**Article XIII D.** Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIII D did not apply to charges for water services that are "primarily based on the amount consumed" (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court ruled in *Bighorn-Desert View Water*

*Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “*Bighorn Case*”), however, that fees for ongoing water service through an existing connection were properly-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218.

The District has complied with the notice, hearing and protest procedures in Article XIID with respect to water and wastewater increases, as further explained by the State Supreme Court decision in the *Bighorn Case*, since 2004.

**Article XIIC.** Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce the water charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2016A Bonds. Remedies available to beneficial owners of the 2016A Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2016A Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

The District believes that its current water and wastewater rates and other property-related charges comply with the requirements of Proposition 218 and expects that any future water and wastewater rates and other property-related charges will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) 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 costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the

provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 will affect its ability to levy rates and charges for Water Service or Wastewater Service.

### **Future Initiatives**

Articles XIIB, XIIC and XIID were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

### **CERTAIN LEGAL MATTERS**

Bond Counsel will render an opinion with respect to the 2016A Bonds substantially in the form set forth in Appendix C hereto and Special Counsel will render an opinion with respect to the 2016B Certificates substantially in the form set forth in Appendix D hereto. Copies of such opinions will be furnished to the Underwriter at the time of delivery of the 2016A Bonds and the 2016B Certificates, respectively.

Certain legal matters will be passed upon for the District and the Corporation by counsel to the District, Thomas D. Cumpston, Esq. for the Underwriter by its counsel, Ballard Spahr LLP, for [INSURER] by its counsel and for the Trustee by its counsel.

The payment of the fees of Bond Counsel is contingent upon the issuance of the 2016A Bonds and the payment of the fees of Special Counsel is contingent upon the execution and delivery of the 2016B Certificates.

Bond Counsel and Special Counsel express no opinion to the owners of the 2016A Bonds and the 2016B Certificates as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2016A Bonds and the 2016B Certificates and expressly disclaims any duty to advise the Owners of the 2016A Bonds and the 2016B Certificates as to matters related to this Official Statement.

### **LITIGATION**

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2016A Bonds or the execution and delivery of the 2016B Certificates, the application of the proceeds thereof in accordance with the Indenture and the 2016B Trust Agreement, respectively, or in any way contesting or affecting the validity or enforceability of the Indenture, the 2016A Bonds, the 2016B Trust Agreement, the 2016B Installment Purchase Agreement, the 2016B Certificates or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the 2016A Bonds or the 2016B Certificates or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

There are no pending suits contesting or affecting the collection of the District Revenues or which would have a material adverse effect on the District's Water System or the District's Wastewater System, the financial condition of the District, including the ability of the District to pay principal of and interest on the 2016A Bonds or to make Installment Payments.

## TAX MATTERS

### 2016A Bonds

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2016A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2016A Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2016A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the 2016A Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016A Bonds to assure that interest on the 2016A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2016A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds. The District has covenanted to comply with all such requirements.

The difference between the issue price of a 2016A Bond (the first price at which a substantial amount of the 2016A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2016A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2016A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2016A Bond Owner will increase the 2016A Bond Owner's basis in the applicable 2016A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the 2016A Bond Owner is excluded from gross income of such 2016A Bond Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the 2016A Bond Owner is exempt from State of California personal income tax.

The amount by which a 2016A Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2016A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2016A Bond Owner's basis in the applicable 2016A Bond (and the amount of tax-exempt interest received with respect to the 2016A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2016A Bond Owner realizing a taxable gain when a 2016A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016A Bond to the Owner. Purchasers of the 2016A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

### 2016B Certificates

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Installment Payment with respect to the 2016B Certificates constituting interest is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes

of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Special Counsel, the portion of each Installment Payment with respect to the 2016B Certificates constituting interest is exempt from State personal income tax. Special Counsel notes that, with respect to corporations, the portion of each Installment Payment with respect to the 2016B Certificates constituting interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Special Counsel's opinion as to the exclusion from gross income of the portion of each Installment Payment with respect to the 2016B Certificates constituting interest is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Code, that must be satisfied subsequent to the execution and delivery of the 2016B Certificates to assure that the portion of each Installment Payment with respect to the 2016B Certificates constituting interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Installment Payment with respect to the 2016B Certificates constituting interest to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2016B Certificates. The District has covenanted to comply with all such requirements.

The difference between the issue price of a 2016B Certificate (the first price at which a substantial amount of the 2016B Certificates of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2016B Certificate (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2016B Certificate Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2016B Certificate Owner will increase the 2016B Certificate Owner's basis in the applicable 2016B Certificate. In the opinion of Special Counsel, the amount of original issue discount that accrues to the 2016B Certificate Owner is excluded from gross income of such 2016B Certificate Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Special Counsel, the amount of original issue discount that accrues to the 2016B Certificate Owner is exempt from State of California personal income tax.

The amount by which a 2016B Certificate Owner's original basis for determining gain or loss on sale or exchange of the applicable 2016B Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2016B Certificate Owner's basis in the applicable 2016B Certificate (and the amount of tax-exempt interest received with respect to the 2016B Certificates), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2016B Certificate Owner realizing a taxable gain when a 2016B Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Owner. Purchasers of the 2016B Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2016B Certificate premium.

## **General**

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 2016A Bonds and the 2016B Certificates will be selected for audit by the IRS. It is also possible that the market value of the 2016A Bonds and the 2016B Certificates might be affected as a result of such an audit of the 2016A Bonds and the 2016B Certificates (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2016A Bonds and the execution and delivery of the 2016B Certificates to the extent that it adversely affects the exclusion from gross income of interest on the



2016A Bonds or the portion of each Installment Payment with respect to the 2016B Certificates constituting interest or the market values of the 2016A Bonds and the 2016B Certificates.

It is possible that subsequent to the issuance of the 2016A Bonds and the execution and delivery of the 2016B Certificates there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the 2016A Bonds and the 2016B Certificates or the market value of the 2016A Bonds and the 2016B Certificates. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the 2016A Bonds and the 2016B Certificates. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2016A Bonds and the 2016B Certificates. No assurance can be given that subsequent to the issuance of the 2016A Bonds and the execution and delivery of the 2016B Certificates such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the 2016A Bonds or 2016B Certificates, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the 2016A Bonds and the 2016B Certificates.

Bond Counsel and Special Counsel's opinions with respect to the 2016A Bonds and the 2016B Certificates, respectively, may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel and Special Counsel have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the 2016B Installment Purchase Agreement, the 2016B Trust Agreement and the Tax Certificate relating to the 2016A Bonds and the 2016B Certificates, as applicable, permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel or Special Counsel is provided with respect thereto. Bond Counsel and Special Counsel express no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any 2016A Bond or the portion of each Installment Payment with respect to the 2016B Certificates constituting interest if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel and Special Counsel have rendered opinions that interest on the 2016A Bonds and the portion of each Installment Payment with respect to the 2016B Certificates constituting interest, respectively, are excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2016A Bonds and the 2016B Certificates and the accrual or receipt of interest on the 2016A Bonds and the 2016B Certificates may otherwise affect the tax liability of certain persons. Bond Counsel and Special Counsel express no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2016A Bonds or the 2016B Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2016A Bonds or the 2016B Certificates.

#### **FINANCIAL ADVISOR**

The District has retained Fieldman, Rolapp & Associates, Irvine, California (the "Financial Advisor") as financial advisor in connection with the issuance of the 2016A Bonds and the 2016B Certificates. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees being paid to the Financial Advisor are contingent upon the issuance of the 2016A Bonds and the 2016B Certificates.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## RATINGS

The District expects that S&P Global Ratings (“S&P”) will assign the 2016A Bonds and the 2016B Certificates the rating of “\_\_” (stable outlook) and that Moody’s will assign the 2016A Bonds and the 2016B Certificates the rating of “\_\_” (stable outlook) based upon the delivery of the Policy by \_\_\_\_\_ at the time of issuance of the 2016A Bonds and the execution and delivery of the 2016B Certificates. S&P will assign the 2016A Bonds the rating of “AA-” (stable outlook) and that Moody’s will assign the 2016A Bonds and the 2016B Certificates the rating of “\_\_” (stable outlook) notwithstanding the delivery of the Policy. There is no assurance that any credit rating given to the 2016A Bonds and the 2016B Certificates will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P or Moody’s, respectively, if, in the judgment of S&P or Moody’s, as applicable, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2016A Bonds and the 2016B Certificates. Such ratings reflect only the views of S&P and Moody’s, respectively, and an explanation of the significance of such ratings may be obtained from S&P and Moody’s. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

## UNDERWRITING

The 2016A Bonds and the 2016B Certificates will be purchased by Citigroup Global Markets Inc. (the “Underwriter”) pursuant to a Purchase Contract, dated July \_\_, 2016 (the “Purchase Contract”), by and between the District and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2016A Bonds for an aggregate purchase price of \$\_\_\_\_\_ (representing the principal amount of the 2016A Bonds, less an Underwriter’s discount of \$\_\_\_\_\_, plus an original issue premium of \$\_\_\_\_\_) and the 2016B Certificates for an aggregate purchase price of \$\_\_\_\_\_ (representing the principal amount of the 2016B Certificates, less an underwriter’s discount of \$\_\_\_\_\_, plus an original issue premium of \$\_\_\_\_\_). The Purchase Contract provides that the Underwriter will purchase all of the 2016A Bonds and the 2016B Certificates, if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2016A Bonds and the 2016B Certificates to certain dealers (including dealers depositing 2016A Bonds and 2016B Certificates into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Citigroup Global Markets Inc., the Underwriter of the 2016A Bonds and 2016B Certificates, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016A Bonds and 2016B Certificates.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriter and its 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 District.

### **CONTINUING DISCLOSURE UNDERTAKING**

The District has covenanted in Continuing Disclosure Certificates for the benefit of the holders and beneficial owners of the 2016A Bonds and the 2016B Certificates to provide certain financial information and operating data relating to the District by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2015) (the “Annual Reports”), and to provide notices of the occurrence of certain other enumerated events, if material. The Annual Reports and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Report and the notice of material events with respect to the 2016A Bonds and the 2016B Certificates are set forth in Appendix F—“FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2016A BONDS” and in Appendix G—“FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2016B CERTIFICATES,” respectively. These covenants have been made in order to assist the Underwriters in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

Over the past five years, the District has been subject to obligations under various continuing disclosure certificates, including but not limited to the 2003 General Obligation Refunding Bonds, the Refunding Revenue Certificates of Participation, Series 2004A, the 2009A Certificates, the Refunding Revenue Certificates of Participation, Series 2010A, the Refunding Revenue Bonds, Series 2012A, the Refunding Revenue Bonds, Series 2012B (Taxable) and the Refunding Revenue Bonds, Series 2014A (collectively, the “Prior Continuing Disclosure Undertakings”). Pursuant to the Prior Continuing Disclosure Undertakings, the District agreed to file its audited financial reports, certain operating data with respect to the Water System, Wastewater System and Recycled Water System, as well as notices of certain enumerated events, if material.

The Annual Report filed for Fiscal Year 2011 failed to include the table entitled “El Dorado Irrigation District Historic System Firm Yield in Acre Feet Per Year.” The District filed a supplemental report on June 5, 2012 with the required information.

In several instances the District failed to file or failed to timely file notices of rating changes as required by its Prior Continuing Disclosure Undertakings. On May 17, 2016, the District filed a supplemental filing detailing such rating changes.

Other than as described in the previous two paragraphs, the District has not failed to comply with the terms of its existing continuing disclosure agreements in the last five years in any material respect.

**MISCELLANEOUS**

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2016A Bonds or the 2016B Certificates.

The execution and delivery of this Official Statement have been duly authorized by the District.

**EL DORADO IRRIGATION DISTRICT**

By: \_\_\_\_\_  
President, Board of Directors

**APPENDIX A**

**EL DORADO IRRIGATION DISTRICT FINANCIAL STATEMENTS**

## **APPENDIX B**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

*The following is a summary of certain provisions of the Indenture, the 2016B Installment Purchase Agreement and the 2016B Trust Agreement which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.*

[TO COME]

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION WITH RESPECT TO THE 2016A BONDS**

*Upon issuance of the 2016A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2016

El Dorado Irrigation District  
2890 Mosquito Road  
Placerville, California 95667

*Re: El Dorado Irrigation District Refunding Revenue Bonds, Series 2016A*

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the El Dorado Irrigation District (the "District") relative to the issuance of the \$\_\_\_\_\_ El Dorado Irrigation District Refunding Revenue Bonds, Series 2016A (the "2016A Bonds"), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the 2016A Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2016A Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2016 (the "Indenture"), by and between the District and MUFG Union Bank, N.A., as trustee (the "Trustee"). The 2016A Bonds mature on the dates and in the amounts referenced in the Indenture. The 2016A Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2016A Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the District show lawful authority for the issuance and sale of the 2016A Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2016A Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The obligation of the District to make the payments of principal of and interest on the 2016A Bonds from Net Revenues (as defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2016A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the 2016A Bonds is exempt from State of California personal income tax.

5. The amount by which a 2016A Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2016A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2016A Bond Owner's basis in the applicable 2016A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2016A Bond premium may result in a 2016A Bond Owner realizing a taxable gain when a 2016A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016A Bond to the Owner. Purchasers of the 2016A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

6. The difference between the issue price of a 2016A Bond (the first price at which a substantial amount of the 2016A Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2016A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2016A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2016A Bond Owner will increase the 2016A Bond Owner's basis in the applicable 2016A Bond. Original issue discount that accrues for the 2016A Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 3 above) and is exempt from State of California personal income tax.

The opinions expressed herein as to the exclusion from gross income of interest on the 2016A Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2016A Bonds to assure that such interest on the 2016A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2016A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2016A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the 2016A Bonds for federal income tax purposes with respect to any 2016A Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2016A Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2016A Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.



We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2016A Bonds or other offering material relating to the 2016A Bonds and expressly disclaim any duty to advise the owners of the 2016A Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

**APPENDIX D**

**FORM OF OPINION OF SPECIAL COUNSEL WITH RESPECT TO THE 2016B CERTIFICATES**

*Upon execution and delivery of the 2016B Certificates, Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2016

El Dorado Irrigation District  
2890 Mosquito Road  
Placerville, California 95667  
Members of the Board of Directors:

Members of the Board of Directors:

We have acted as Special Counsel to the El Dorado Irrigation District (the "District") in connection with the execution and delivery of \$\_\_\_\_\_ aggregate principal amount of Revenue Certificates of Participation, Series 2016B, dated the date hereof (the "Certificates"), each evidencing and representing an interest of the registered owner thereof in the right to receive Installment Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Installment Purchase Agreement (the "Agreement"), dated as of June 1, 2016, by and between the District and El Dorado Irrigation District Financing Corporation (the "Corporation"), which right to receive such Installment Payments has been assigned by the Corporation to MUFG Union Bank, N.A., as trustee (the "Trustee"), pursuant to the Assignment Agreement, dated as of June 1, 2016, by and between the Trustee and the Corporation. The Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement, dated as of June 1, 2016 (the "Trust Agreement"), by and among the District, the Corporation and the Trustee.

In connection with our representation we have examined a certified copy of the proceedings relating to the Certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings show lawful authority for the execution and delivery by the District of the Agreement and the Trust Agreement under the laws of the State of California now in force, and the Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee and the Corporation, as appropriate, are valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the District to make the Installment Payments from Net Revenues (as defined in the Agreement) is an enforceable obligation of the District and does not constitute a debt of the District, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Installment Payment constituting interest is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, the portion of each Installment Payment constituting interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

5. The portion of each Installment Payment constituting interest is exempt from State of California personal income tax.

6. The excess of the stated redemption price at maturity over the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate Owner will increase the Owner's basis in the applicable Certificate. Original issue discount that accrues to the Certificate Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

7. The amount by which a Certificate owner's original basis for determining gain or loss on sale or exchange of the applicable Certificate (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Certificate owner's basis in the applicable Certificate (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Certificate owner realizing a taxable gain when a Certificate is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the owner.

8. The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Certificate (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate Owner will increase the Certificate Owner's basis in the applicable Certificate. Original issue discount that accrues for the Certificate Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 3 above) and is exempt from State of California personal income tax.

The opinions expressed herein as to the exclusion from gross income of the portion of each Installment Payment constituting interest (and original issue discount) are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Installment Payment constituting interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Installment Payment constituting interest (and original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement, the Agreement and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of the portion of each Installment Payment constituting interest (and original issue discount) for federal income tax purposes with respect to any Certificate if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves.

Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Certificates.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Trust Agreement, the Agreement and the Certificates are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

## APPENDIX E

### INFORMATION CONCERNING DTC

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter take any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2016A Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2016A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2016A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2016A Bonds. The 2016A 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 2016A Bond will be issued for each annual maturity of the 2016A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, 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 3,500,000 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 a Standard & Poor's 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](http://www.dtcc.com).

Purchases of 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016A 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 2016A 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 2016A Bonds representing their ownership interests in 2016A Bonds, except in the event that use of the book-entry system for the 2016A Bonds is discontinued.

To facilitate subsequent transfers, all 2016A 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 2016A 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 2016A Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such 2016A 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. Beneficial Owners of 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016A Bond documents. For example, Beneficial Owners of 2016A Bonds may wish to ascertain that the nominee holding the 2016A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2016A 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 District or the Trustee, on 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, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District 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.

A 2016A Bond Owner shall give notice to elect to have its 2016A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2016A Bonds by causing the Direct Participant to transfer the Participant's interest in the 2016A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2016A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2016A Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2016A Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2016A Bonds will be printed and delivered to DTC.

**THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2016A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2016A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.**

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE 2016A BONDS**

*Upon issuance of the 2016A Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

[TO COME]

**APPENDIX G**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE 2016B CERTIFICATES**

*Upon issuance of the 2016B Certificates, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

[TO COME]



**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the El Dorado Irrigation District (the “District”) in connection with the execution and delivery of its \$\_\_\_\_\_ Revenue Certificates of Participation, Series 2016B (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2016 (the “Trust Agreement”), by and among the District, MUFG Union Bank, N.A., as trustee (the “Trustee”) and the El Dorado Irrigation District Financing Corporation (the “Corporation”). The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Certificates for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of December of each year.

Holder. The term “Holder” means a registered owner of the Certificates.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of June 1, 2016, by and between the District and the Corporation.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated July \_\_, 2016 relating to the Certificates.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of

the Certificates.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2016) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements for the prior Fiscal Year, which may be included in the Comprehensive Annual Financial Report of the District, prepared in accordance with accounting principles generally accepted in the United States of America as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) Principal amount of the Certificates outstanding.

(c) Balance in the Reserve Fund and a statement of the reserve requirement with respect thereto.

(d) An update of the information in the following tables under the caption entitled “THE WATER SYSTEM OF THE DISTRICT” in the Official Statement:

(i) “El Dorado Irrigation District Historic System Firm Yield In Acre-Feet Per Year;”

(ii) “El Dorado Irrigation District Historic Water Connections;”

(iii) “El Dorado Irrigation District Historic Water Deliveries In Acre-Feet Per Year;” and

(iv) “El Dorado Irrigation District Historic Water Sales Revenues.”

(e) An update of the information in the following tables under the caption entitled “THE WASTEWATER SYSTEM OF THE DISTRICT” in the Official Statement:

- (i) “El Dorado Irrigation District Historic Wastewater Connections;”
- (ii) “El Dorado Irrigation District Historic Wastewater System Usage;”
- (iii) “El Dorado Irrigation District Historic Wastewater Service Charge Revenues;”
- (iv) “El Dorado Irrigation District Historic Recycled Water Connections;”
- (v) “El Dorado Irrigation District Historic Recycled Water System Demand in Acre-Feet Per Year;” and
- (vi) “El Dorado Irrigation District Historic Recycled Water Service Charge Revenues.”

(f) A table showing Net Revenues of the District and debt service coverage on the Certificates and any parity obligations for the last fiscal year only presented in a similar format as the table entitled “El Dorado Irrigation District Water System Historic Operating Results.”

(g) A table showing Net Revenues of the District and debt service coverage on the Certificates and any parity obligations for the last fiscal year only presented in a similar format as the table entitled “El Dorado Irrigation District Wastewater System Historic Operating Results.”

(h) A table showing Net Revenues of the District and debt service coverage on the Certificates and any parity obligations for the last fiscal year only presented in a similar format as the table entitled “El Dorado Irrigation District Historic Operating Results.”

If the information in sections 4(d) – 4(h) above can be derived from the audited financial statements required to be filed in 4(a) above, failure to file separate tables under sections 4(d) – 4(h) above shall not constitute a default hereunder. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.

#### 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not more than ten (10) Business Days after the event:

- 1. principal and interest payment delinquencies;
- 2. unscheduled draws on debt service reserves reflecting financial difficulties;

- difficulties;
3. unscheduled draws on credit enhancements reflecting financial
  4. substitution of credit or liquidity providers, or their failure to perform;
  5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
  6. tender offers;
  7. defeasances;
  8. ratings changes; and
  9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other events affecting the tax status of the Certificates;
2. modifications to the rights of Certificate holders;
3. optional, unscheduled or contingent Certificate prepayments;
4. release, substitution or sale of property securing repayment of the Certificates;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

7. Termination of Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The District will provide notice of such amendment to the Municipal Securities Rulemaking Board.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of the Certificates 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 Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Installment Purchase Agreement or the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Dissemination Agent. The District may from time to time appoint or engage a dissemination agent to assist the District in carrying out its obligations under this Disclosure Certificate and may discharge any such dissemination agent with or without appointing a successor

dissemination agent.

12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Dated: July \_\_, 2016

EL DORADO IRRIGATION DISTRICT

By: \_\_\_\_\_  
Its: President of the Board of Directors



# Authorization to issue debt securities

El Dorado Irrigation District Financing Corporation

June 27, 2016



# Previous Board Actions

## ■ October 2003

- Accepted Articles of Incorporation and Bylaws
- Elected President and Vice President
- Appointed Secretary
- Appointed Chief Financial Officer
- Authorized 2003A and 2003B Certificates of Participation (COPs)

## ■ August 2004

- Authorized 2004A and 2004B COPs

## ■ April 2008

- Approved issuance of VRDOs to replace ARS

## ■ October 2008

- Authorized issuance of 2008 COPs
  - Issued 2009

## ■ February 2010

- Authorized issuance of 2010 Refunding Revenue Bonds



# Board Policy

- Board action required
  - Approve a resolution
  - Authorize financing





# Summary of issue

- Debt issue needed to fund certain long-lived assets within the 2016-2020 CIP
  - Forebay Dam Upgrades Project
  - Esmeralda Tunnel Repairs Project
  - Main Ditch Piping Project
  - Sly Park Intertie Improvements
  - Several flume replacements
- Background
  - EID adopted resolutions of intent to borrow on September 8, 2014 and an amended resolution on October 14, 2014



# Staff analysis

- Current considerations
  - Issue not to exceed \$57 million
  - Reimburse approximately \$10 million
  - Balance of funds will go to fund ongoing construction costs of listed projects
  - Size of issue in resolution is higher if issued at par and/or a discount and if a cash funded debt service reserve fund is needed



# Staff analysis

- The issuance process
  - Issuance documents that involve EID Financing Corporation
    - Installment purchase agreement
    - Assignment agreement
    - Trust agreement
    - Preliminary Official Statement
    - Continuing Disclosure Certificate



# Staff analysis

## The issuance process

- Installment purchase agreement
  - EID and EID Financing Corporation
  - Assignment agreement
    - MUFG Union Bank (Union Bank) and EID Financing Corporation
    - Rights to payments transferred to trustee
- Trust agreement
  - EID, EID Financing Corp and Union Bank (trustee)
  - Union Bank receives payments and disburses to bondholders
- Preliminary Official Statement
  - Describes all relevant details of the participants, the issue, outstanding debt of the District and purpose of the issue
- Continuing Disclosure Certificate
  - Describes reporting requirements for the duration of the 2016 certificates



# Staff analysis

- Financing Corporation resolution
  - Authorizes sale and delivery of COPs not to exceed \$57 million
  - Approve documents for the sale and delivery of 2016B COPs
  - Authorizes execution and delivery of remaining documents



# Board options

- Option 1: Adopt Resolution No. 2016-\_\_\_\_ authorizing the execution and delivery of not to exceed \$57,000,000 aggregate principal revenue certificates of participation and approving the execution and delivery of certain documents in connection therewith and certain other matters.
- Option 2: Take other action as directed by the Board.
- Option 3: Take no action.



# Staff/General Manager's Recommendation

- Option 1

