



**FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
January 15, 2014
9:00 AM
Approximate Meeting Time: 2 Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE DECEMBER 18, 2013 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

PRESENTATION ITEMS

4. Quarterly Investment Report - Chandler Asset Management

DISCUSSION ITEMS

5. Request for New Position
6. Resolution Providing for the Issuance of 2014 Consolidated Refunding Bonds (re: Improvement Districts Nos. 6 and 7)(Resolution No. 14 - __)
7. Updated Meter Sales Pricing

INFORMATION ITEMS

8. Summary of Disbursements December 31, 2013

9. Late Items (Appropriate Findings to be Made)

- A. Need to take immediate action; and
- B. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

ADJOURNMENT

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at www.mnwd.com.



**MINUTES OF THE REGULAR MEETING
OF THE FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS
OF THE
MOULTON NIGUEL WATER DISTRICT**

December 18, 2013

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on December 18, 2013. There were present and participating:

DIRECTORS

Brian Probolsky	Vice President/Chair
Scott Colton	Director
Richard Fiore	Director
Donald Froelich	Vice President
Gary Kurtz	Director
Larry Lizotte	Director
Larry McKenney	President

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Marc Serna	Director of Engineering & Operations
Gina Hillary	Director of Human Resources
Kelly Winsor	Assistant to the General Manager
Ruby Yuen	MNWD
Karen Maddox	MNWD
Michael Bell	Consultant
Jennifer Farr	Mayer, Hoffman, McCann P.C.
Pat Giannone	Bowie, Arneson, Wiles & Giannone
Paige Gulck	Board Secretary

#2.

1. CALL MEETING TO ORDER

The meeting was called to order by Larry McKenney at 9:02 a.m.

2. APPROVE THE MINUTES OF THE NOVEMBER 20, 2013 SPECIAL FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY SCOTT COLTON, MINUTES OF THE SPECIAL MEETING OF THE FINANCE BOARD OF DIRECTORS' MEETING DATED NOVEMBER 20, 2013 WERE APPROVED AS PRESENTED.

3. APPROVE THE MINUTES OF THE NOVEMBER 21, 2013 SPECIAL FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY LARRY LIZOTTE AND SECONDED BY GARY KURTZ, MINUTES OF THE SPECIAL MEETING OF THE FINANCE BOARD OF DIRECTORS' MEETING DATED NOVEMBER 21, 2013 WERE APPROVED AS PRESENTED.

4. PUBLIC COMMENTS

None

PRESENTATION ITEMS

None

DISCUSSION ITEMS

5. Comprehensive Annual Financial Report (CAFR)

Ruby Yuen summarized the changes that were made to the Comprehensive Annual Financial Report year ending June 30, 2013. Jennifer Farr answered questions from the Board.

6. Resolution Appointing Acting Treasurer of the District (Resolution No. 13-___)

Joone Lopez stated that it is required by law to have a Treasurer appointed to the Board. Matt Collings is recommended to temporarily fill this role, allowing the General Manager to have final review.

7. Resolution Declaring Intention to Issue Consolidated General Obligation Refunding Bonds (re: Improvements Districts Nos. 6 and 7) (Resolution No. 13-___)

Joone Lopez stated that the market has leveled, and there is a chance for significant savings. The District is currently moving forward with the process and has until March 1, 2014 to withdraw from the process.

Michael Bell presented background on Improvement Districts 6 and 7, along with the debt profile, and the proposed schedule for the bond refinancing. Discussion ensued over authorization levels, overall savings, and the required documents for the bond refinancing.

Gary Kurtz left at 10:00 a.m.

INFORMATION ITEMS

- 8.** Summary of Disbursements November 30, 2013

Joone Lopez stated that the summary is available in the agenda packet.

- 9.** Late Items (Appropriate Findings to be Made)

Staff has none.

ADJOURNMENT

The meeting was adjourned at 10:24 a.m.

Respectfully submitted,

Paige Gulck
Board Secretary

Moulton Niguel Water District

Period Ending
December 31, 2013



SECTION 1

Account Profile

SECTION 2

Portfolio Holdings

SECTION 3

Economic Update

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SECTION 1

ACCOUNT PROFILE

Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into two categories, the Liquid Fund and the Operating Reserve Fund. The investment goals of the Liquid Fund are: to provide liquidity for operating expenses and current capital requirements, to preserve principal, and to earn a total rate of return commensurate with the first two goals.

The investment goals of the Operating Reserve Fund are to preserve real capital and provide growth over the long term by earning the rate of return which is available from longer term investments permitted under the California Government Code.

Chandler Asset Management Performance Objectives

The performance objective for the Liquid Fund is to earn a return in excess of the return on 90-day Treasury bills.

The investment performance objectives of the Operating Reserve Fund are (1) to earn a total rate of return over a market cycle which exceeds the return on a market index of government securities with maturities of one to ten years (the Bank of America Merrill Lynch 1-10 Year Government Index).

Strategy

In order to meet its goals, the Liquid Fund is invested in short term securities and LAIF. The average maturity of the Liquid Fund may not exceed 90 days, and the maximum maturity of individual securities in the fund shall be one year. In order to meet its goals, the Operating Reserve Fund is invested in a diversified portfolio of high quality fixed income securities with a maximum maturity of ten years. No more than 40% of the fund may be invested in securities with maturities in excess of five years.



Moulton Niguel Water District Operating Reserve

December 31, 2013

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the District's investment policy.

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 2.4%
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤1 year	Complies
Rev. Repo Agreements	≤10%; ≤90 days	Complies - 0.0%
Time CDs	110% collateral over \$100,000 or insured	Complies - 0.0%
Negotiable CDs	30% max; ≤2 yrs	Complies - 0.0%
Medium Term Notes	"A"-rated; 30% max	Complies - 26.2%
Mutual Funds	≤20%	Complies - 0.1%
LAIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies - \$24.8 MM
Mortgage Pass Through, including CMOs and ABS	"AA"-rated; 20% Maximum	Complies - 3.5%
Money Market Funds	"AAA"-rated or SEC reg.; 20% Maximum	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Per issuer max	5% (except gov'ts)	Complies
Modified duration	+/- 20% of 1-10 Year benchmark duration	Complies - 3.69
% invested less than 2 years	≥10%	Complies - 25.2%
% invested beyond 5 years	≤40%	Complies - 35.2%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies

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PORTFOLIO CHARACTERISTICS

Liquid Fund

	3-month T-Bills Benchmark* G001	Liquid Fund	
	12/31/2013	12/31/2013	9/30/2013
Portfolio book value	--	\$24,830,961	\$11,319,994
Market value	--	\$24,840,383	\$11,331,324
Average book yield	--	0.26%	0.25%
Average maturity (yrs)	0.16	0.00	0.00
Modified duration	0.16	0.00	0.00
\$ change in value for 1% change in rates	--	\$0	\$0
% maturing within one year	100%	100%	100%
Average credit quality	AAA	Not Rated	Not Rated

Operating Reserve Fund

	1-10 year Govt. Benchmark* G5A0	Operating Reserve Fund	
	12/31/2013	12/31/2013	9/30/2013
Portfolio book value	--	\$113,380,799	\$112,674,289
Market value	--	\$113,672,111	\$113,946,087
Average book yield	--	2.34%	2.33%
Average maturity (yrs)	4.00	4.06	4.17
Modified duration	3.71	3.69	3.76
\$ change in value for 1% change in rates	--	\$4,194,501	\$4,284,373
% maturing within two years	21.9%	25.2%	22.4%
Average credit quality	AAA	AA	AA

During the last quarter, our portfolio re-investment and re-balancing activity maintained our portfolio duration very close to that of the benchmark index.



Operating Reserve Fund

40- Trading Activity -9/30/2013 -12/31/2013

Settle Date	Description	MIG	Mat Date	Amount	Book Value	Market Value	Gain/Loss	Duration	Yield
Purchase									
10/16/2013	Bank of Tokyo Mitsubishi NY	Commercial Paper	02/13/2014	\$1,025,000.00	\$1,024,282.50	\$1,024,282.50	\$0.00	0.328	0.213
11/22/2013	US Bancorp	US Corporate	11/15/2018	\$925,000.00	\$928,746.25	\$928,746.25	\$0.00	4.723	1.864
11/22/2013	US Bancorp	US Corporate	11/15/2018	\$85,000.00	\$85,336.60	\$85,336.60	\$0.00	4.723	1.866
12/13/2013	John Deere Capital Corp	US Corporate	12/13/2018	\$1,120,000.00	\$1,117,614.40	\$1,117,614.40	\$0.00	4.741	1.995
12/20/2013	FNMA	Agency	05/21/2018	\$1,850,000.00	\$1,796,388.85	\$1,796,388.85	\$0.00	4.307	1.556
12/20/2013	Tennessee Valley Authority	Agency	08/15/2022	\$185,000.00	\$165,256.80	\$165,256.80	\$0.00	7.795	3.303
12/23/2013	PNC Bank	Commercial Paper	07/23/2014	\$1,700,000.00	\$1,697,297.00	\$1,697,297.00	\$0.00	0.580	0.274
12/24/2013	Chevron Corp.	US Corporate	12/05/2017	\$125,000.00	\$123,208.75	\$123,208.75	\$0.00	3.842	1.479
				\$7,015,000.00	\$6,938,131.15	\$6,938,131.15	\$0.00		
Sale									
11/20/2013	FNMA	Agency	10/30/2014	\$575,000.00	\$574,159.35	\$577,466.75	\$3,307.40	0.942	0.170
12/11/2013	FNMA	Agency	10/30/2014	\$75,000.00	\$74,890.35	\$75,300.00	\$409.65	0.884	0.173
12/12/2013	John Deere Capital Corp	US Corporate	03/03/2014	\$940,000.00	\$937,487.65	\$942,885.80	\$5,398.15	0.225	0.234
				\$1,590,000.00	\$1,586,537.35	\$1,595,652.55	\$9,115.20		

During the fourth quarter of 2013, our portfolio investment and re-balancing activity maintained the duration position in the portfolio structure. Recent purchases included Commercial Paper, Corporate and Agency securities with maturities ranging from February 2014 through December 2018. Our transactions adjusted the portfolio duration to about equal to that of the benchmark index duration. The cumulative sale transactions realized a net gain of \$9,115.



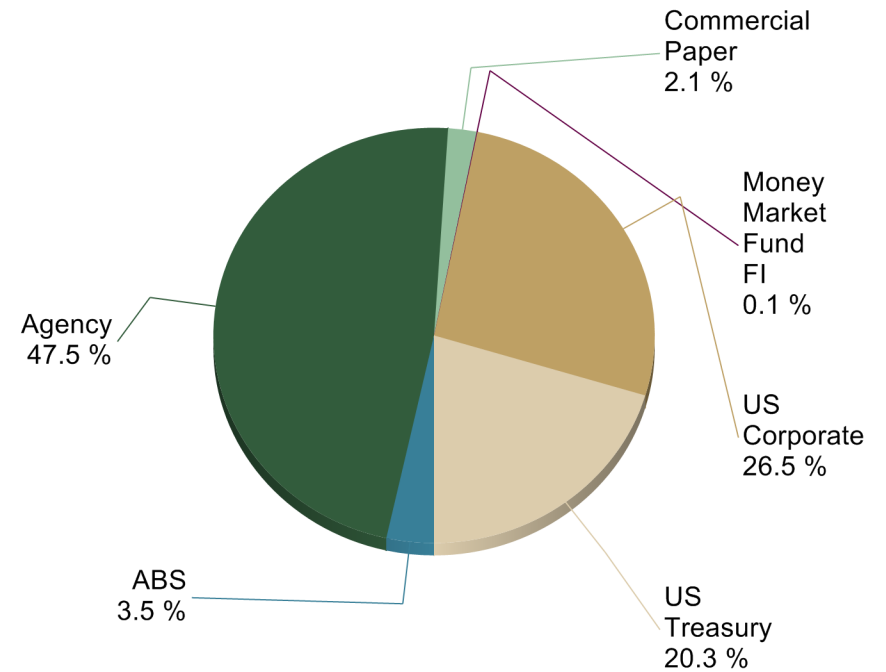
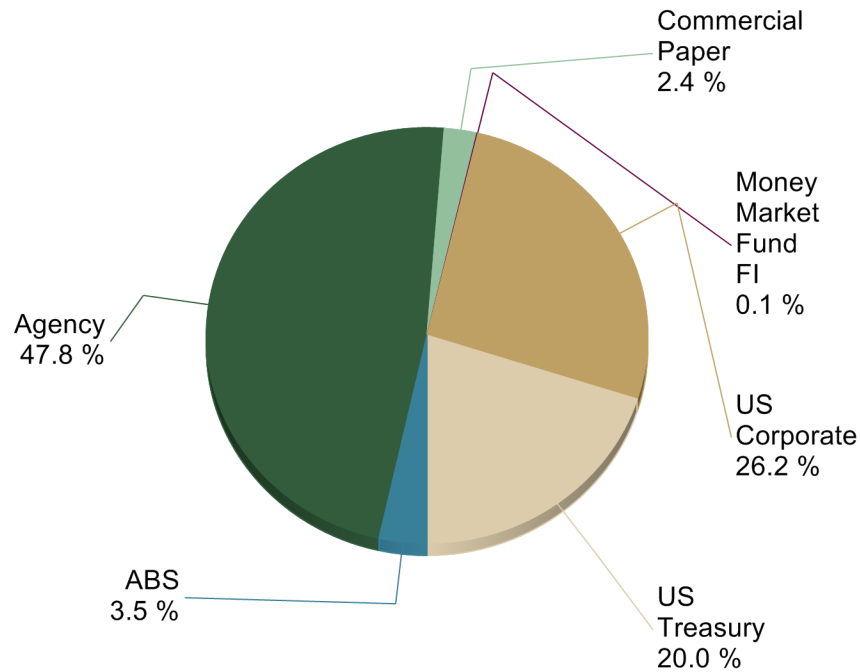
SECTOR DISTRIBUTION

Moulton Niguel Water District Operating Reserve

December 31, 2013

September 30, 2013

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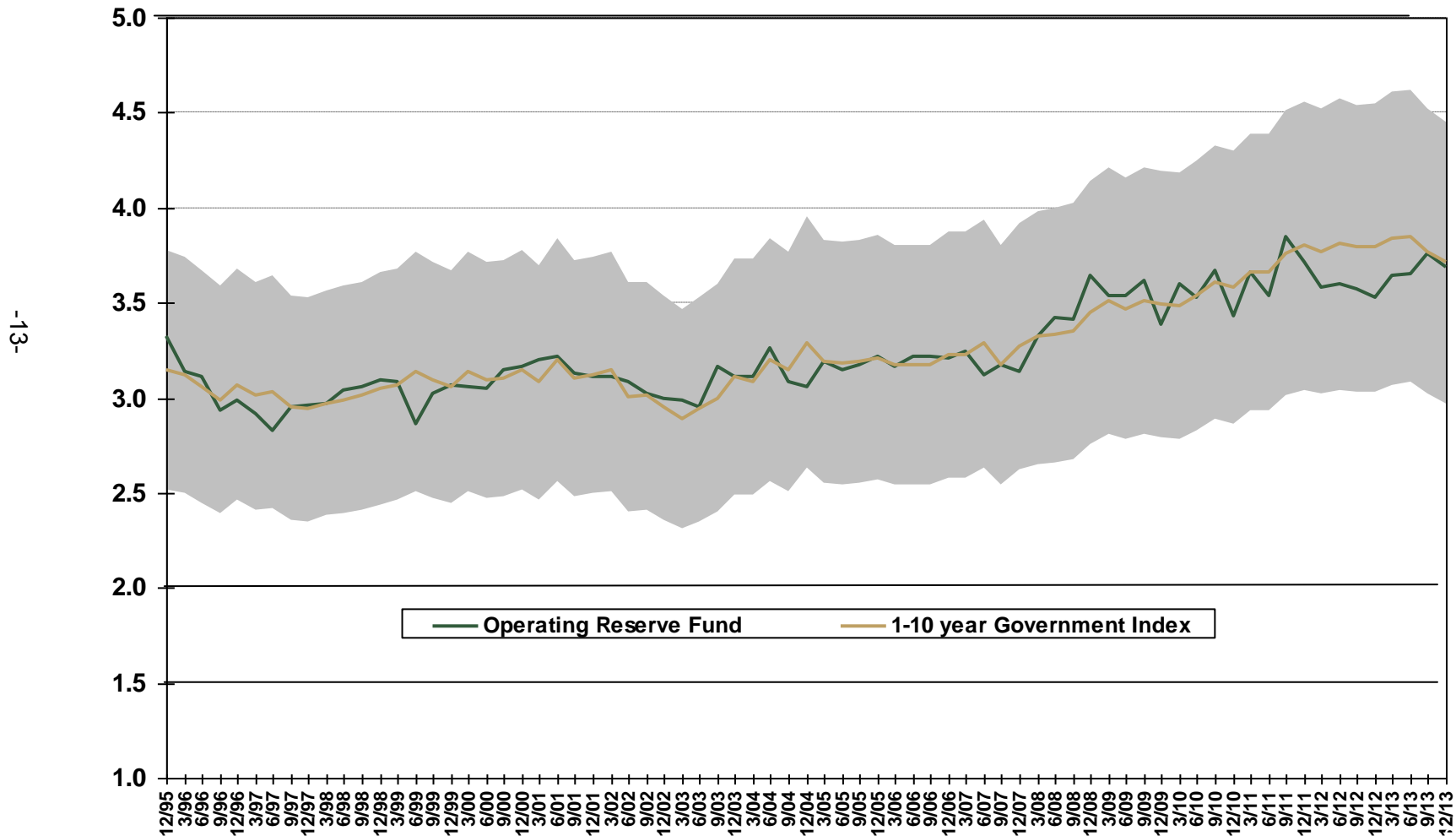


The portfolio sector allocation was generally stable during the quarter.



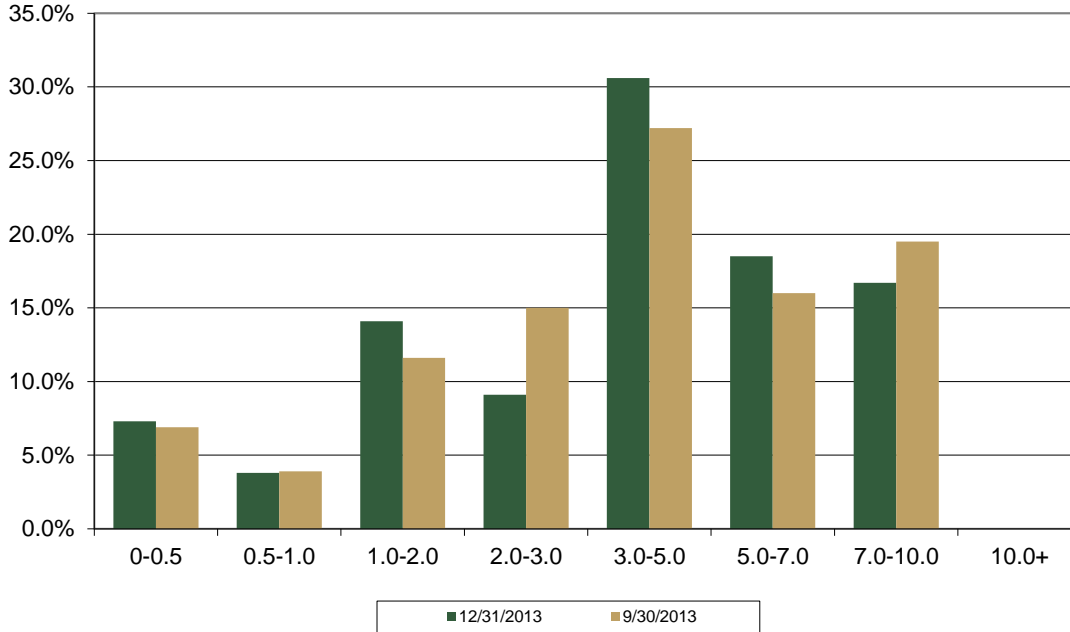
EXPOSURE TO MARKET RISK

Operating Reserve Fund Duration Compared to 1 - 10 Year Government Index Duration





MATURITY DISTRIBUTION Operating Reserve Fund December 31, 2013 vs. September 30, 2013



	0-0.5	0.5-1.0	1.0-2.0	2.0-3.0	3.0-5.0	5.0-7.0	7.0-10.0	10.0+
12/31/2013	7.3%	3.8%	14.1%	9.1%	30.6%	18.5%	16.7%	0.0%
9/30/2013	6.9%	3.9%	11.6%	15.0%	27.2%	16.0%	19.5%	0.0%

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The duration of the portfolio was close to that of the benchmark’s duration during most of the recent quarter. The market continues to expect the Federal Reserve to taper the amount of its bonds purchases throughout 2014, likely increasing interest rate volatility during the year. Offsetting the expected increase in volatility is the unchanged forecast for the federal funds rate (currently 0-0.25%). We still anticipate that the portfolio maturity/duration will remain close to the 1-10 Year Government benchmark in the coming quarters.



INVESTMENT PERFORMANCE

Moulton Niguel Water District Operating Reserve

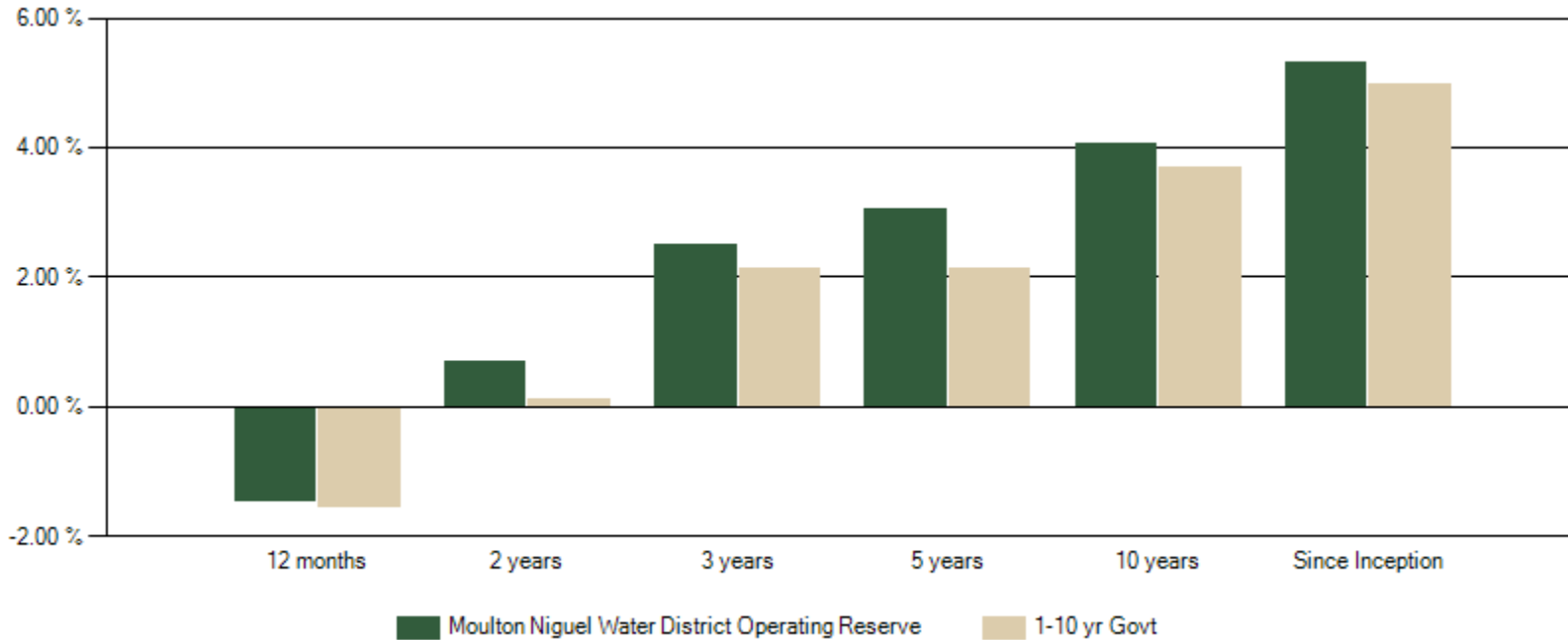
Period Ending

December 31, 2013

Total Rate of Return

Annualized Since Inception

September 30, 1995



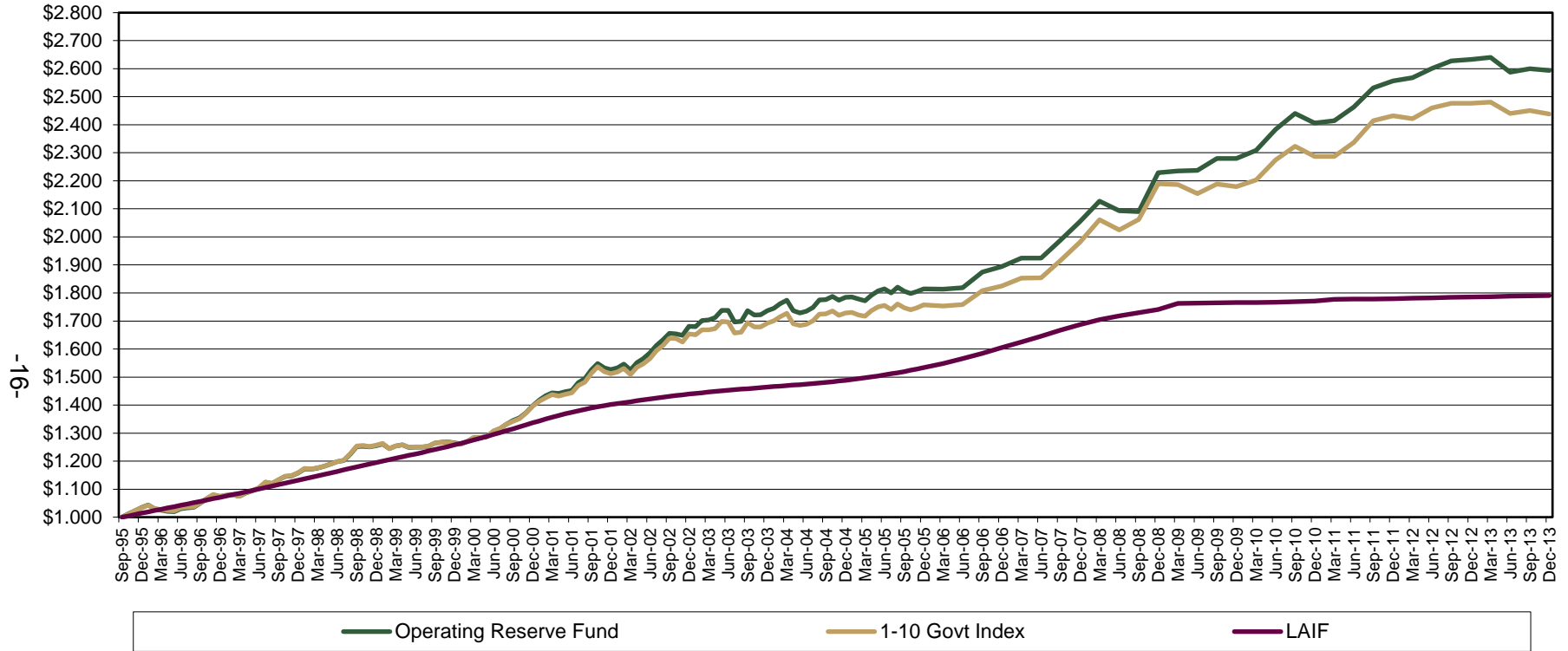
-15-

	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
Moulton Niguel Water District Operating Reserve	-0.24 %	-1.49 %	0.73 %	2.55 %	3.09 %	4.10 %	5.36 %
1-10 yr Govt	-0.51 %	-1.56 %	0.14 %	2.17 %	2.17 %	3.72 %	5.01 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Operating Reserve Fund Growth of \$1 Million



Historical return on \$1 million invested in September 1995

Operating Reserve Fund
1-10 Govt Index
LAIF

	12/31/2013	Return
Operating Reserve Fund	\$2,594,200	5.36%
1-10 Govt Index	\$2,438,391	5.01%
LAIF	\$1,790,434	3.24%



SECTION 2

PORTFOLIO HOLDINGS



Moulton Niguel Water District Operating Reserve
Account #40

Issuer Report

As of 12/31/2013

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	20.04 %
Federal National Mortgage Association	Agency	10.48 %
Federal Home Loan Mortgage Corp	Agency	10.44 %
Federal Home Loan Bank	Agency	10.10 %
Tennessee Valley Authority	Agency	8.83 %
Federal Farm Credit Bank	Agency	7.92 %
Wal-Mart Stores	US Corporate	2.26 %
IBM Corp	US Corporate	1.78 %
JP Morgan Chase & Co	US Corporate	1.75 %
Wells Fargo Corp	US Corporate	1.71 %
General Electric Co	US Corporate	1.56 %
Berkshire Hathaway	US Corporate	1.53 %
PNC Financial Services Group	Commercial Paper	1.49 %
Ebay	US Corporate	1.46 %
Pepsico Inc	US Corporate	1.42 %
Deere & Company	US Corporate	1.40 %
Bank of New York	US Corporate	1.35 %
Intel Corp	US Corporate	1.26 %
Apple Inc	US Corporate	1.24 %
JP Morgan Chase & Co	ABS	1.10 %
Northern Trust Corp	US Corporate	1.03 %
Oracle Corp	US Corporate	1.00 %
BlackRock Inc/New York	US Corporate	0.99 %
Toyota Auto Receivables	ABS	0.97 %
Coca Cola Co.	US Corporate	0.97 %
Honda Motor Corporation	ABS	0.97 %
Bank of Tokyo-Mit UFJ	Commercial Paper	0.90 %
Google Inc	US Corporate	0.89 %
US Bancorp	US Corporate	0.89 %
Pfizer Inc.	US Corporate	0.76 %
ChevronTexaco Corp	US Corporate	0.46 %
Praxair	US Corporate	0.46 %
John Deere Security Trust	ABS	0.44 %
United Technology Corp	US Corporate	0.10 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.07 %
Total		100.00 %



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
ABS									
89231NAC7	Toyota Auto Receivable 2012-B A3 0.46% Due 7/15/2016	1,105,000.00	09/18/2012 0.46 %	1,104,894.91 1,104,894.91	100.02 0.44 %	1,105,209.95 225.91	0.97 % 315.04	Aaa AAA	2.54 0.87
43813CAC4	Honda Auto Receivables 2012-4 A3 0.52% Due 8/18/2016	1,100,000.00	10/11/2012 0.52 %	1,099,893.52 1,099,893.52	100.10 0.42 %	1,101,089.00 206.56	0.97 % 1,195.48	Aaa AAA	2.63 1.03
161571FL3	Chase CHAIT Pool #2012-A5 0.59% Due 8/15/2017	1,255,000.00	03/19/2013 0.59 %	1,255,000.00 1,255,000.00	100.01 0.58 %	1,255,138.05 329.09	1.10 % 138.05	NR AAA	3.62 1.59
477879AC4	John Deere Owner Trust 2013-B A3 0.87% Due 8/15/2017	500,000.00	08/27/2013 0.91 %	499,931.85 499,931.85	100.31 0.70 %	501,535.00 193.33	0.44 % 1,603.15	Aaa NR	3.62 1.81
Total ABS		3,960,000.00	0.58 %	3,959,720.28 3,959,720.28	0.51 %	3,962,972.00 954.89	3.49 % 3,251.72	Aaa AAA	3.05 1.26
AGENCY									
3133X7FK5	FHLB Note 5.25% Due 6/18/2014	1,400,000.00	12/02/2004 4.72 %	1,456,022.40 1,456,022.40	102.35 0.17 %	1,432,957.40 2,654.17	1.26 % (23,065.00)	Aaa AA+	0.46 0.46
3135G0DW0	FNMA Note 0.625% Due 10/30/2014	1,530,000.00	09/29/2011 0.67 %	1,527,763.14 1,527,763.14	100.37 0.18 %	1,535,634.99 1,620.31	1.35 % 7,871.85	Aaa AA+	0.83 0.83
31331VGU4	FFCB Note 4.875% Due 12/16/2015	3,425,000.00	Various 4.26 %	3,561,575.25 3,561,575.25	108.70 0.41 %	3,722,906.50 6,957.03	3.28 % 161,331.25	Aaa AA+	1.96 1.89
3131J6C2	FFCB Note 2.35% Due 12/22/2015	1,200,000.00	03/28/2011 2.27 %	1,204,344.00 1,204,344.00	103.81 0.41 %	1,245,756.00 705.00	1.10 % 41,412.00	Aaa AA+	1.98 1.94
3135G0BA0	FNMA Note 2.375% Due 4/11/2016	1,245,000.00	03/08/2011 2.49 %	1,238,438.85 1,238,438.85	104.17 0.53 %	1,296,869.19 6,570.83	1.15 % 58,430.34	Aaa AA+	2.28 2.22
31331V2U9	FFCB Note 5.125% Due 8/25/2016	1,950,000.00	08/30/2011 1.14 %	2,324,887.50 2,324,887.50	111.72 0.66 %	2,178,471.75 34,978.13	1.95 % (146,415.75)	Aaa AA+	2.65 2.47
31359M4D2	FNMA Note 5% Due 2/13/2017	1,200,000.00	02/03/2011 2.93 %	1,336,435.20 1,336,435.20	112.54 0.91 %	1,350,433.20 23,000.00	1.21 % 13,998.00	Aaa AA+	3.12 2.88
3135G0UY7	FNMA Callable Note 1X 2/27/15 1% Due 2/27/2017	1,150,000.00	04/23/2013 0.75 %	1,160,925.00 1,160,925.00	100.13 0.89 %	1,151,495.00 3,961.11	1.02 % (9,430.00)	Aaa AA+	3.16 2.86
31359M7X5	FNMA Note 5% Due 5/11/2017	1,550,000.00	12/31/2009 3.68 %	1,680,508.45 1,680,508.45	112.96 1.06 %	1,750,943.55 10,763.89	1.55 % 70,435.10	Aaa AA+	3.36 3.12
31398ADM1	FNMA Note 5.375% Due 6/12/2017	1,200,000.00	Various 3.58 %	1,341,020.65 1,341,020.65	114.35 1.12 %	1,372,215.60 3,404.16	1.21 % 31,194.95	Aaa AA+	3.45 3.19
880591EA6	Tennessee Valley Authority Note 5.5% Due 7/18/2017	2,460,000.00	Various 4.32 %	2,660,209.76 2,660,209.76	114.51 1.30 %	2,816,987.82 61,260.84	2.53 % 156,778.06	Aaa AA+	3.55 3.20
3137EABA6	FHLMC Note 5.125% Due 11/17/2017	1,750,000.00	02/03/2011 3.13 %	1,961,505.00 1,961,505.00	114.10 1.38 %	1,996,739.50 10,961.81	1.77 % 35,234.50	Aaa AA+	3.88 3.55
313372C36	FHLB Note 3.125% Due 12/8/2017	1,150,000.00	03/18/2011 2.87 %	1,167,848.00 1,167,848.00	106.36 1.46 %	1,223,111.25 2,296.01	1.08 % 55,263.25	Aaa AA+	3.94 3.71
880591CU4	Tennessee Valley Authority Note 6.25% Due 12/15/2017	1,890,000.00	Various 4.27 %	2,157,081.80 2,157,081.80	118.34 1.46 %	2,236,546.62 5,249.99	1.97 % 79,464.82	NR AA+	3.96 3.57



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
AGENCY									
3135G0TG8	FNMA Note 0.875% Due 2/8/2018	1,160,000.00	01/28/2013 1.04 %	1,150,395.20 1,150,395.20	97.48 1.51 %	1,130,744.80 4,031.81	1.00 % (19,650.40)	Aaa AA+	4.11 3.99
880591EC2	Tennessee Valley Authority Note 4.5% Due 4/1/2018	285,000.00	02/03/2010 3.90 %	296,826.36 296,826.36	110.96 1.81 %	316,226.59 3,206.25	0.28 % 19,400.23	Aaa AA+	4.25 3.86
31331YF21	FFCB Note 4.25% Due 4/16/2018	650,000.00	07/15/2010 2.98 %	706,634.50 706,634.50	110.79 1.64 %	720,155.80 5,755.21	0.64 % 13,521.30	Aaa AA+	4.29 3.93
3135G0WJ8	FNMA Note 0.875% Due 5/21/2018	2,340,000.00	Various 1.42 %	2,285,340.25 2,285,340.25	96.73 1.65 %	2,263,510.08 2,275.00	1.99 % (21,830.17)	Aaa AA+	4.39 4.27
3137EABP3	FHLMC Note 4.875% Due 6/13/2018	1,950,000.00	Various 2.67 %	2,224,649.10 2,224,649.10	113.63 1.68 %	2,215,790.85 4,753.13	1.95 % (8,858.25)	Aaa AA+	4.45 4.04
3137EADG1	FHLMC Note 1.75% Due 5/30/2019	2,345,000.00	04/27/2012 1.66 %	2,358,760.46 2,358,760.46	98.23 2.10 %	2,303,493.50 3,533.78	2.03 % (55,266.96)	Aaa AA+	5.41 5.13
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	2,250,000.00	Various 1.48 %	2,219,414.80 2,219,414.80	95.19 2.17 %	2,141,779.50 11,718.75	1.89 % (77,635.30)	Aaa AA+	5.59 5.32
3133X8AS1	FHLB Note 5.125% Due 8/15/2019	2,000,000.00	06/07/2011 3.02 %	2,303,860.00 2,303,860.00	115.07 2.25 %	2,301,484.00 38,722.22	2.06 % (2,376.00)	Aaa AA+	5.62 4.87
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	1,025,000.00	10/22/2012 1.42 %	1,013,304.75 1,013,304.75	94.73 2.23 %	971,020.43 3,167.53	0.86 % (42,284.32)	Aaa AA+	5.76 5.48
20-IECPD0	FFCB Note 1.42% Due 5/13/2020	1,165,000.00	05/22/2013 1.63 %	1,148,561.85 1,148,561.85	93.40 2.55 %	1,088,103.01 2,205.73	0.96 % (60,458.84)	Aaa AA+	6.37 6.01
3133XDVS7	FHLB Note 5.25% Due 12/11/2020	2,600,000.00	07/07/2011 3.54 %	2,953,808.00 2,953,808.00	115.83 2.73 %	3,011,486.40 7,583.33	2.66 % 57,678.40	Aaa AA+	6.95 5.90
880591EL2	Tennessee Valley Authority Note 3.875% Due 2/15/2021	2,120,000.00	04/06/2011 3.87 %	2,121,611.20 2,121,611.20	105.59 3.00 %	2,238,573.72 31,034.44	2.00 % 116,962.52	Aaa AA+	7.13 6.14
3133752P1	FHLB Note 3.5% Due 7/29/2021	3,300,000.00	08/03/2011 3.19 %	3,388,209.00 3,388,209.00	103.46 2.99 %	3,414,034.80 48,766.67	3.05 % 25,825.80	Aaa AA+	7.58 6.55
3137EADB2	FHLMC Note 2.375% Due 1/13/2022	2,275,000.00	Various 2.28 %	2,291,259.33 2,291,259.33	95.60 3.00 %	2,174,820.38 25,214.58	1.94 % (116,438.95)	Aaa AA+	8.04 7.15
880591EN8	Tennessee Valley Authority Note 1.875% Due 8/15/2022	2,585,000.00	Various 2.03 %	2,550,760.80 2,550,760.80	89.14 3.33 %	2,304,194.04 18,310.42	2.04 % (246,566.76)	Aaa AA+	8.63 7.76
Total Agency		51,150,000.00	2.76 %	53,791,960.60	1.70 %	53,906,486.27	47.76 % 114,525.67	Aaa AA+	4.63 4.20
COMMERCIAL PAPER									
06538CBD2	Bank of Tokyo Mitsubishi NY Discount CP 0.21% Due 2/13/2014	1,025,000.00	10/15/2013 0.21 %	1,024,282.50 1,024,742.90	99.97 0.21 %	1,024,742.90 0.00	0.90 % 0.00	P-1 A-1	0.12 0.12



Holdings Report

As of 12/31/13

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
COMMERCIAL PAPER									
69349KGP9	PNC Bank Discount CP 0.27% Due 7/23/2014	1,700,000.00	12/23/2013 0.27 %	1,697,297.00 1,697,411.75	99.85 0.27 %	1,697,411.75 0.00	1.49 % 0.00	P-1 A-1	0.56 0.56
Total Commercial Paper		2,725,000.00	0.25 %	2,721,579.50 2,722,154.65	0.25 %	2,722,154.65 0.00	2.39 % 0.00	P-1 A-1	0.39 0.39
MONEY MARKET FUND FI									
94975J466	Wells Fargo Advantage Government MMF	81,597.58	Various 0.01 %	81,597.58 81,597.58	1.00 0.01 %	81,597.58 0.00	0.07 % 0.00	NR NR	0.00 0.00
Total Money Market Fund FI		81,597.58	0.01 %	81,597.58	0.01 %	81,597.58 0.00	0.07 % 0.00	NR NR	0.00 0.00
US CORPORATE									
717081AR4	Pfizer Inc. Note 4.5% Due 2/15/2014	840,000.00	Various 3.36 %	881,653.50 881,653.50	100.48 0.59 %	843,995.89 14,280.00	0.76 % (37,657.61)	A1 AA	0.13 0.12
665859AK0	Northern Trust Company Note 4.625% Due 5/1/2014	1,140,000.00	Various 2.47 %	1,235,765.65 1,235,765.65	101.45 0.28 %	1,156,487.83 8,787.50	1.03 % (79,277.82)	A2 A+	0.33 0.33
42CQ4	Wal-Mart Stores Note 3.2% Due 5/15/2014	1,725,000.00	Various 1.60 %	1,823,201.61 1,823,201.61	101.08 0.29 %	1,743,674.85 7,053.33	1.54 % (79,526.76)	Aa2 AA	0.37 0.37
47XAD3	Blackrock Inc Note 3.5% Due 12/10/2014	1,090,000.00	Various 2.84 %	1,120,065.90 1,120,065.90	102.92 0.39 %	1,121,853.07 2,225.42	0.99 % 1,787.17	A1 A+	0.94 0.93
713448BM9	Pepsico Inc. Note 3.1% Due 1/15/2015	1,550,000.00	Various 2.10 %	1,614,584.35 1,614,584.35	102.75 0.45 %	1,592,559.90 22,156.38	1.42 % (22,024.45)	A1 A-	1.04 1.01
46625HHP8	JP Morgan Chase Note 3.7% Due 1/20/2015	1,900,000.00	Various 3.16 %	1,939,327.10 1,939,327.10	103.12 0.72 %	1,959,287.60 31,439.72	1.75 % 19,960.50	A3 A	1.05 1.02
94980VAA6	Wells Fargo Bank Note 4.75% Due 2/9/2015	1,825,000.00	Various 3.52 %	1,914,016.00 1,914,016.00	104.49 0.66 %	1,906,997.25 34,193.41	1.71 % (7,018.75)	A1 A+	1.11 1.07
084670AV0	Berkshire Hathaway Note 3.2% Due 2/11/2015	1,665,000.00	Various 3.12 %	1,670,612.45 1,670,612.45	103.07 0.43 %	1,716,112.17 20,720.00	1.53 % 45,499.72	Aa2 AA	1.12 1.09
06406JHB4	Bank of New York Mellon Note 4.95% Due 3/15/2015	1,445,000.00	Various 2.11 %	1,620,058.00 1,620,058.00	105.01 0.76 %	1,517,460.97 21,060.88	1.35 % (102,597.03)	A2 A	1.20 1.17
74005PAR5	Praxair Note 4.625% Due 3/30/2015	490,000.00	Various 2.58 %	534,803.30 534,803.30	105.06 0.56 %	514,772.44 5,728.58	0.46 % (20,030.86)	A2 A	1.24 1.21
278642AB9	Ebay Inc Note 1.625% Due 10/15/2015	1,625,000.00	10/22/2010 1.66 %	1,622,156.25 1,622,156.25	101.95 0.53 %	1,656,716.75 5,574.65	1.46 % 34,560.50	A2 A	1.79 1.76
459200GU9	IBM Corp Note 2% Due 1/5/2016	1,950,000.00	Various 2.77 %	1,882,374.00 1,882,374.00	102.64 0.68 %	2,001,403.95 19,066.66	1.78 % 119,029.95	Aa3 AA-	2.01 1.96
24422ERZ4	John Deere Capital Corp Note 0.75% Due 1/22/2016	475,000.00	01/17/2013 0.79 %	474,496.50 474,496.50	99.75 0.87 %	473,799.20 1,573.44	0.42 % (697.30)	A2 A	2.06 2.03
38259PAC6	Google Inc Note 2.125% Due 5/19/2016	975,000.00	11/15/2012 0.75 %	1,021,108.20 1,021,108.20	103.32 0.72 %	1,007,363.18 2,417.19	0.89 % (13,745.02)	Aa2 AA	2.38 2.38



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
US CORPORATE									
191216AU4	Coca Cola Company Note 1.8% Due 9/1/2016	1,070,000.00	08/13/2013 0.98 %	1,096,225.70 1,096,225.70	102.40 0.89 %	1,095,702.47 6,420.00	0.97 % (523.23)	Aa3 AA-	2.67 2.59
36962G5W0	General Electric Capital Corp Note 2.3% Due 4/27/2017	1,720,000.00	03/07/2013 1.44 %	1,778,875.60 1,778,875.60	102.79 1.44 %	1,767,941.56 7,032.89	1.56 % (10,934.04)	A1 AA+	3.32 3.18
913017BU2	United Tech Corp Note 1.8% Due 6/1/2017	115,000.00	05/24/2012 1.82 %	114,901.10 114,901.10	101.54 1.34 %	116,772.61 172.50	0.10 % 1,871.51	A2 A	3.42 3.30
68389XAN5	Oracle Corp Note 1.2% Due 10/15/2017	1,150,000.00	08/28/2013 1.87 %	1,119,421.50 1,119,421.50	98.41 1.64 %	1,131,666.70 2,913.33	1.00 % 12,245.20	A1 A+	3.79 3.68
166764AA8	Chevron Corp. Callable Note Cont 11/5/17 1.104% Due 12/5/2017	535,000.00	Various 1.19 %	533,208.75 533,208.75	97.80 1.69 %	523,226.26 426.58	0.46 % (9,982.49)	Aa1 AA	3.93 3.82
458140AL4	Intel Corp Note 1.35% Due 12/15/2017	1,445,000.00	12/12/2012 1.29 %	1,449,314.55 1,449,314.55	98.83 1.66 %	1,428,149.86 867.00	1.26 % (21,164.69)	A1 A+	3.96 3.83
931142DF7	Wal-Mart Stores Note 1.125% Due 4/11/2018	840,000.00	04/04/2013 1.14 %	839,227.20 839,227.20	97.05 1.85 %	815,220.00 2,100.00	0.72 % (24,007.20)	Aa2 AA	4.28 4.14
037833AJ9	Apple Inc Note 1% Due 5/3/2018	1,450,000.00	05/14/2013 1.21 %	1,435,659.50 1,435,659.50	96.69 1.80 %	1,402,073.15 2,336.11	1.24 % (33,586.35)	Aa1 AA+	4.34 4.21
22- 19HHE3	US Bancorp Callable Note Cont 10/15/2018 1.95% Due 11/15/2018	1,010,000.00	11/19/2013 1.86 %	1,014,082.85 1,014,082.85	99.46 2.07 %	1,004,583.38 2,954.26	0.89 % (9,499.47)	A1 A+	4.88 4.61
24422ESF7	John Deere Capital Corp Note 1.95% Due 12/13/2018	1,120,000.00	12/10/2013 1.99 %	1,117,614.40 1,117,614.40	99.36 2.09 %	1,112,867.84 1,092.00	0.98 % (4,746.56)	A2 A	4.95 4.69
Total US Corporate		29,150,000.00	2.10 %	29,852,753.96	0.94 %	29,610,688.88 222,591.83	26.25 % (242,065.08)	A1 AA-	2.15 2.08
US TREASURY									
912828CA6	US Treasury Note 4% Due 2/15/2014	1,900,000.00	05/07/2008 3.28 %	1,971,621.09 1,971,621.09	100.46 0.28 %	1,908,831.20 28,706.52	1.70 % (62,789.89)	Aaa AA+	0.13 0.12
912828GH7	US Treasury Note 4.625% Due 2/15/2017	800,000.00	07/12/2007 5.14 %	769,187.50 769,187.50	111.53 0.88 %	892,249.60 13,975.54	0.80 % 123,062.10	Aaa AA+	3.13 2.90
912828HH6	US Treasury Note 4.25% Due 11/15/2017	1,850,000.00	12/05/2007 3.94 %	1,896,755.86 1,896,755.86	111.34 1.24 %	2,059,860.30 10,208.22	1.82 % 163,104.44	Aaa AA+	3.88 3.59
912828SD3	US Treasury Note 1.25% Due 1/31/2019	2,335,000.00	05/29/2012 1.09 %	2,359,362.67 2,359,362.67	97.52 1.76 %	2,277,171.39 12,214.33	2.01 % (82,191.28)	Aaa AA+	5.09 4.87
912828SX9	US Treasury Note 1.125% Due 5/31/2019	2,475,000.00	01/30/2013 1.23 %	2,459,444.48 2,459,444.48	96.00 1.91 %	2,376,000.00 2,447.80	2.09 % (83,444.48)	Aaa AA+	5.42 5.21
912828TH3	US Treasury Note 0.875% Due 7/31/2019	2,300,000.00	10/25/2012 1.21 %	2,249,696.70 2,249,696.70	94.16 1.98 %	2,165,774.30 8,421.88	1.91 % (83,922.40)	Aaa AA+	5.58 5.38
912828UB4	US Treasury Note 1% Due 11/30/2019	2,400,000.00	Various 1.91 %	2,271,415.85 2,271,415.85	93.96 2.09 %	2,255,061.60 2,109.89	1.99 % (16,354.25)	Aaa AA+	5.92 5.69



Holdings Report

As of 12/31/13

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
US TREASURY									
912828PX2	US Treasury Note 3.625% Due 2/15/2021	1,425,000.00	06/02/2011 2.95 %	1,505,662.92 1,505,662.92	107.91 2.41 %	1,537,775.93 19,511.46	1.37 % 32,113.01	Aaa AA+	7.13 6.22
912828RR3	US Treasury Note 2% Due 11/15/2021	2,300,000.00	01/18/2012 1.90 %	2,320,313.90 2,320,313.90	95.45 2.64 %	2,195,241.90 5,972.38	1.94 % (125,072.00)	Aaa AA+	7.88 7.19
912828SV3	US Treasury Note 1.75% Due 5/15/2022	2,400,000.00	07/29/2013 2.41 %	2,275,134.60 2,275,134.60	92.47 2.76 %	2,219,251.20 5,453.04	1.96 % (55,883.40)	Aaa AA+	8.38 7.67
912828TJ9	US Treasury Note 1.625% Due 8/15/2022	2,450,000.00	Various 2.15 %	2,342,880.91 2,342,880.91	90.85 2.83 %	2,225,864.20 15,037.87	1.97 % (117,016.71)	Aaa AA+	8.63 7.88
912828TY6	US Treasury Note 1.625% Due 11/15/2022	600,000.00	09/23/2013 2.63 %	551,135.21 551,135.21	90.27 2.88 %	541,596.00 1,265.88	0.48 % (9,539.21)	Aaa AA+	8.88 8.43
Total US Treasury		23,235,000.00	2.24 %	22,972,611.69	1.98 %	22,654,677.62	20.04 %	Aaa	5.81
				22,972,611.69		125,324.81	(317,934.07)	AA+	5.41
TOTAL PORTFOLIO		110,301,597.58	2.34 %	113,380,223.61	1.48 %	112,938,577.00	100.00 %	Aa1	4.06
				113,380,798.76		733,533.66	(442,221.76)	AA	3.69
TOTAL MARKET VALUE PLUS ACCRUED						113,672,110.66			



Holdings Report

As of 12/31/13

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	24,830,960.57	Various 0.26 %	24,830,960.57 24,830,960.57	1.00 0.26 %	24,830,960.57 9,421.93	100.00 % 0.00	NR NR	0.00 0.00
Total LAIF		24,830,960.57	0.26 %	24,830,960.57	0.26 %	24,830,960.57 9,421.93	100.00 % 0.00	NR NR	0.00 0.00
TOTAL PORTFOLIO		24,830,960.57	0.26 %	24,830,960.57	0.26 %	24,830,960.57 9,421.93	100.00 % 0.00	NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						24,840,382.50			

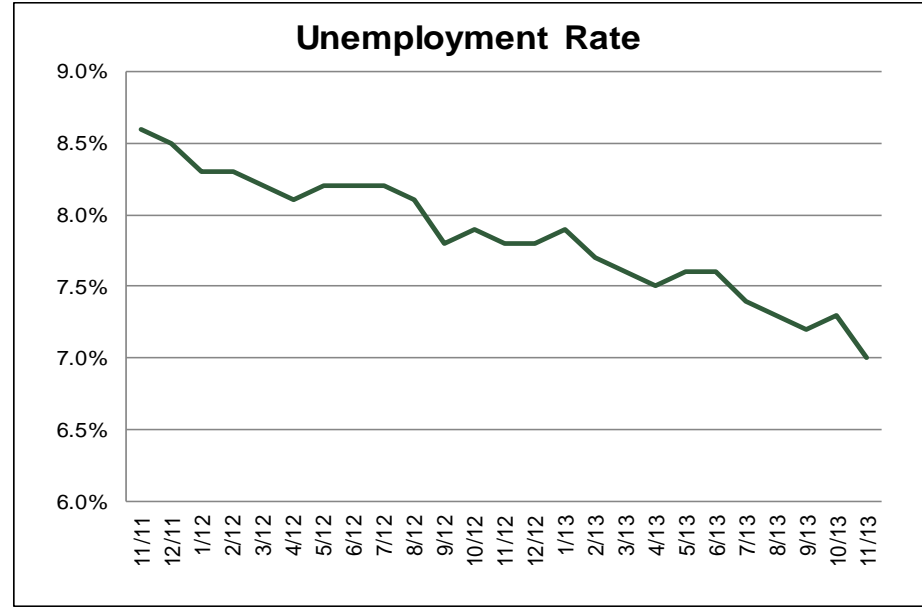
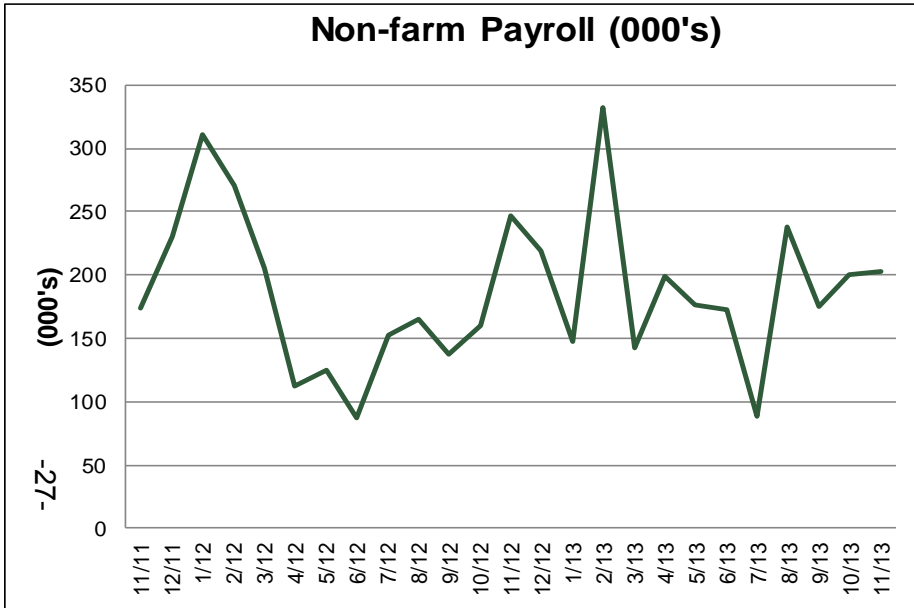


SECTION 3

ECONOMIC UPDATE



- Economic data has recently improved. Job growth was stronger than expected in November, and the unemployment rate dropped to 7.0% from 7.3%. Nonfarm payrolls increased 203,000 in November exceeding the consensus forecast of 180,000. Average nonfarm payroll growth over the past 3 months has been about 193,000 per month. Overall, the labor market is showing moderate improvement. Meanwhile manufacturing data has been mixed, but one of the most closely watched indicators (the ISM manufacturing index) suggests that the manufacturing sector is expanding at a healthy pace. Some of the most recent housing data has also surprised to the upside.
- At the December meeting, the FOMC announced that it will begin to taper its asset purchases by \$10 billion (evenly split between Treasuries and MBSs) beginning in January. The timing of this announcement was somewhat earlier than we expected but the composition and modest magnitude of the taper was in line with our expectations. The Fed will continue to purchase MBS at a pace of \$35 billion per month (down from \$40 billion) and longer-term Treasuries at a pace of \$40 billion per month (down from \$45 billion). The path toward winding down quantitative easing continues to be data dependent, and we believe the process of unwinding will likely continue at a steady pace throughout most of 2014. The Fed left policy rates unchanged and indicated that the fed funds rate is likely to remain low well past when the unemployment rate falls below 6.5%. Overall, the Committee's decision to initiate tapering indicates their belief that the economy is on the path toward a self-sustaining recovery. However, the Committee's tone remains quite dovish and suggests that the Fed will continue to support economic growth with low policy rates throughout the coming year.
- During the past three months, the yield curve steepened with speculation about the timing of Federal Reserve's tapering, which was finally answered at the Fed's December meeting.

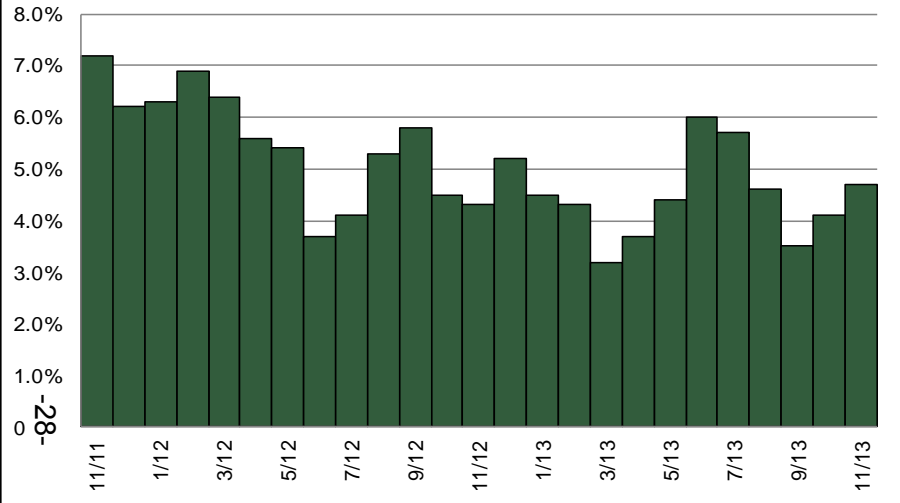


Source: U.S. Department of Labor

The November employment report was better than expected as payrolls rose by 203,000 exceeding the 180,000 consensus estimate. The unemployment rate declined to 7.0% from 7.3%. Net revisions for job growth in September and October were +8,000. Average nonfarm payroll growth over the past 3 months has been about 193,000. Private payrolls increased 196,000 in November while government jobs rose 7,000.

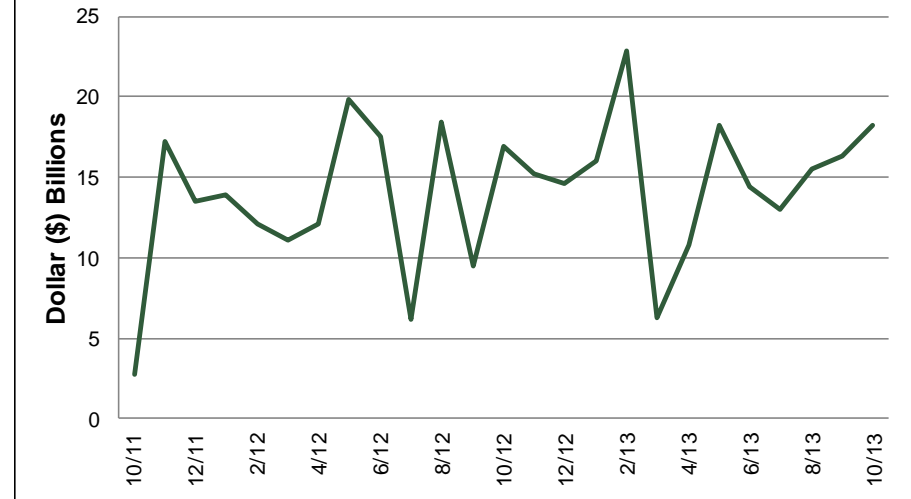


Retail Sales Y-O-Y % Change



Source: U.S. Department of Commerce

Consumer Credit

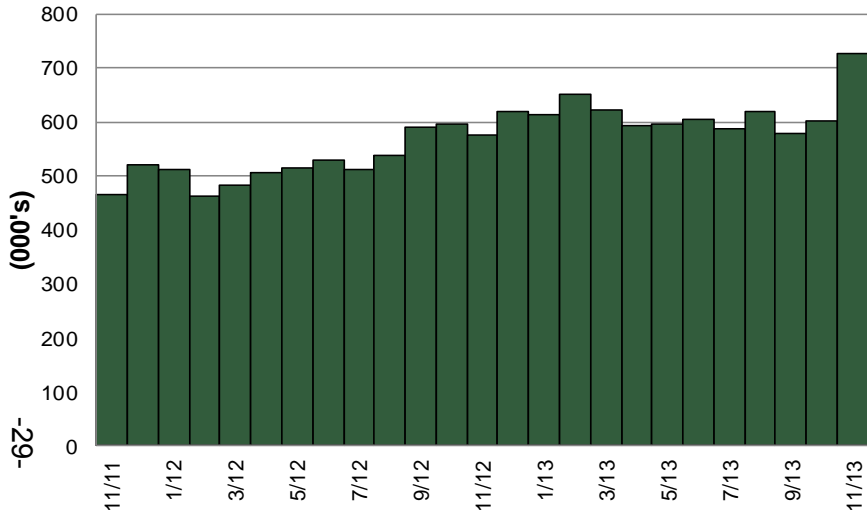


Source: Federal Reserve

In November, Retail Sales rose 4.7% on a year-over-year basis up from 4.1% in October. On a month-over-month basis, Retail Sales rose 0.7% in November which exceeded the consensus forecast. Consumer Credit rose by \$18.2 billion in October versus a gain of \$16.3 billion in September. Revolving credit (mostly credit cards) expanded for the first time since May by \$4.3 billion.

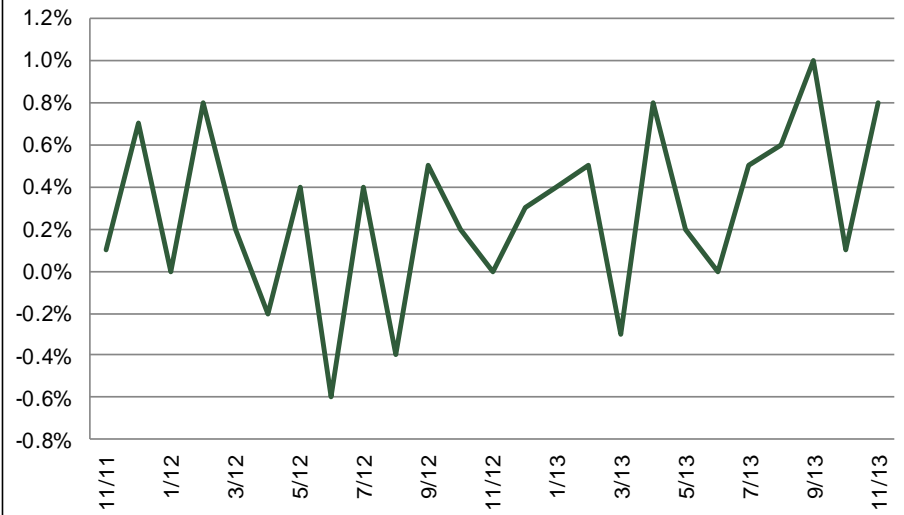


Starts - Single Family Housing



Source: US Department of Commerce

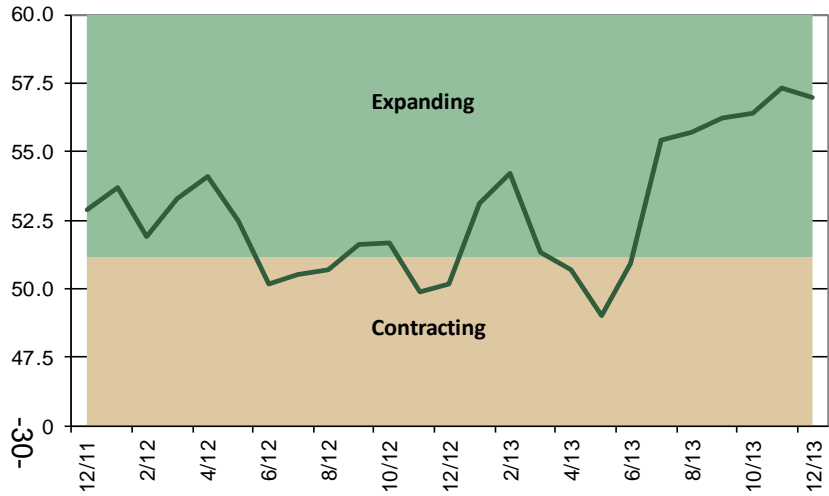
Leading Economic Indicators



Source: The Conference Board

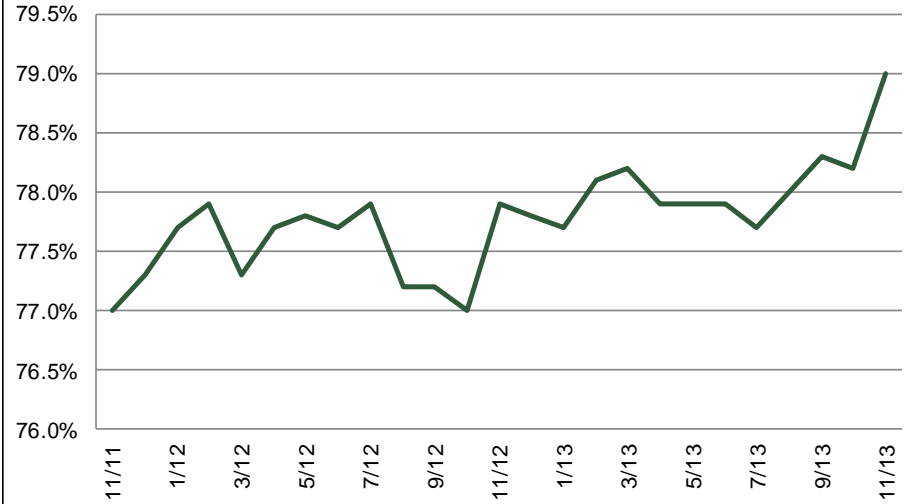
Single-family housing starts jumped 20.8% in November after rising 3.8% in October. Housing starts have recently regained some momentum. The index of Leading Economic Indicators (LEI) rose 0.8% in November following a 0.1% gain in October. Overall, the LEI index continues to point to modest economic growth.

Institute of Supply Management Purchasing Manager Index



Source: Institute for Supply Management

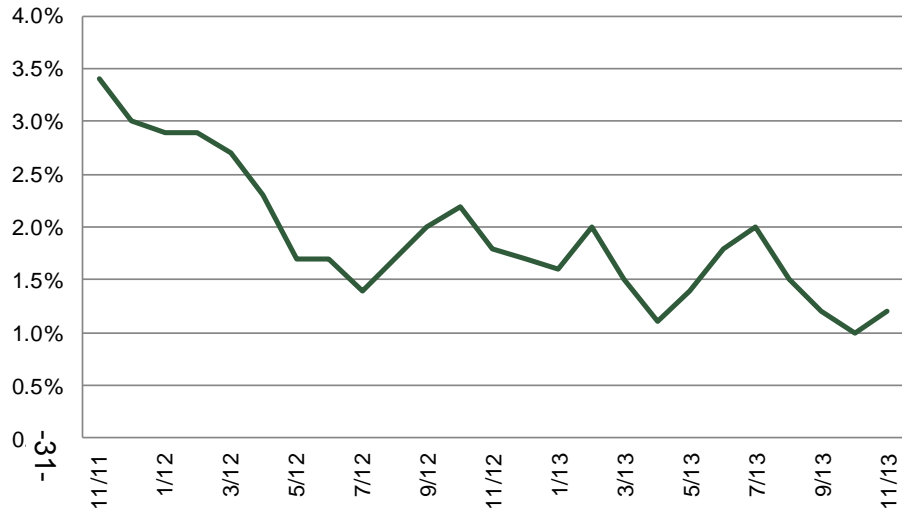
Capacity Utilization



Source: Federal Reserve

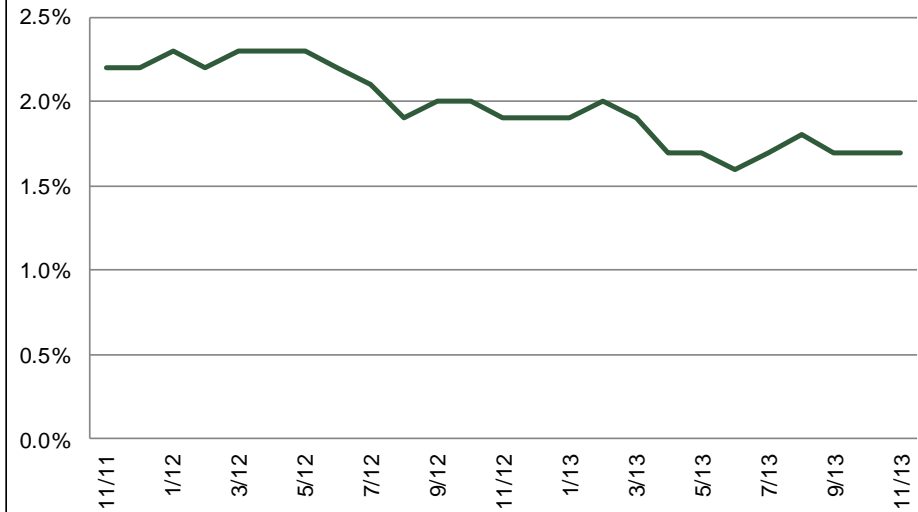
During December, the ISM Manufacturing Index decreased to 57.0 from 57.3 in November. A reading above 50.0 is viewed as expansionary in the manufacturing sector, while a reading below 50.0 suggests contraction in the manufacturing sector. Capacity Utilization, which is production divided by capacity, edged up in November to 79.0% from 78.2% in October. The Capacity Utilization reading remains below the long-run average of 80.2% (1972-2012).

CPI Y-O-Y % Change

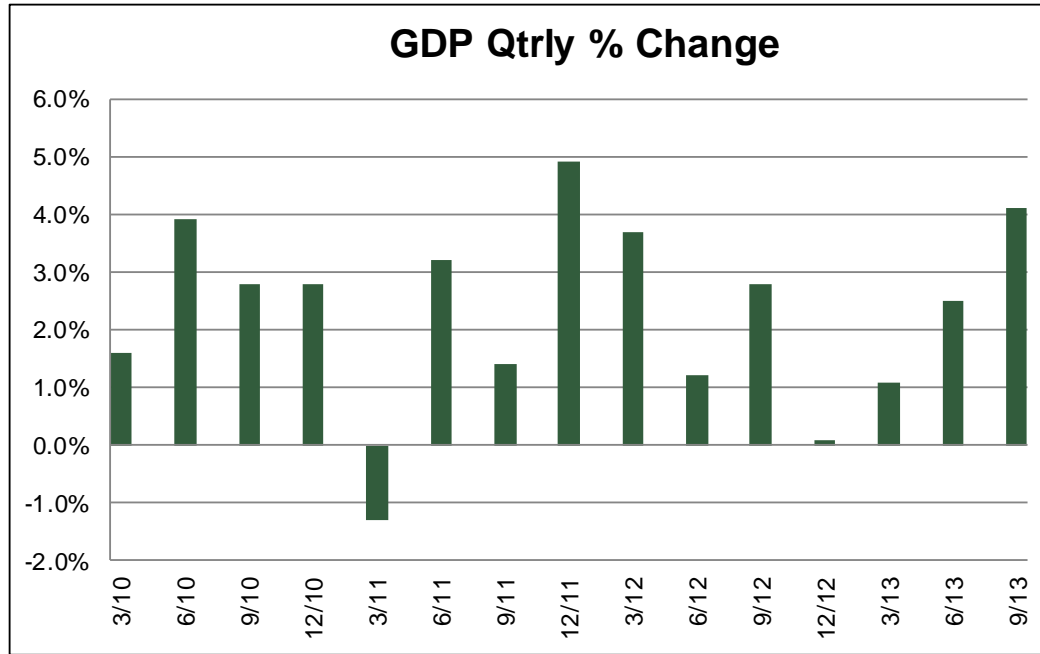


Source: US Department of Labor

Core CPI Y-O-Y % Change



In November, overall CPI inflation rose slightly to 1.2% on a year-over-year basis from 1.0% in October. The year-over-year Core CPI (CPI less food and energy) was unchanged at 1.7%. The core inflation rate is still trending below the Fed's long-term goal of 2.0% and remains below the trigger rate for policy action of 2.5%.

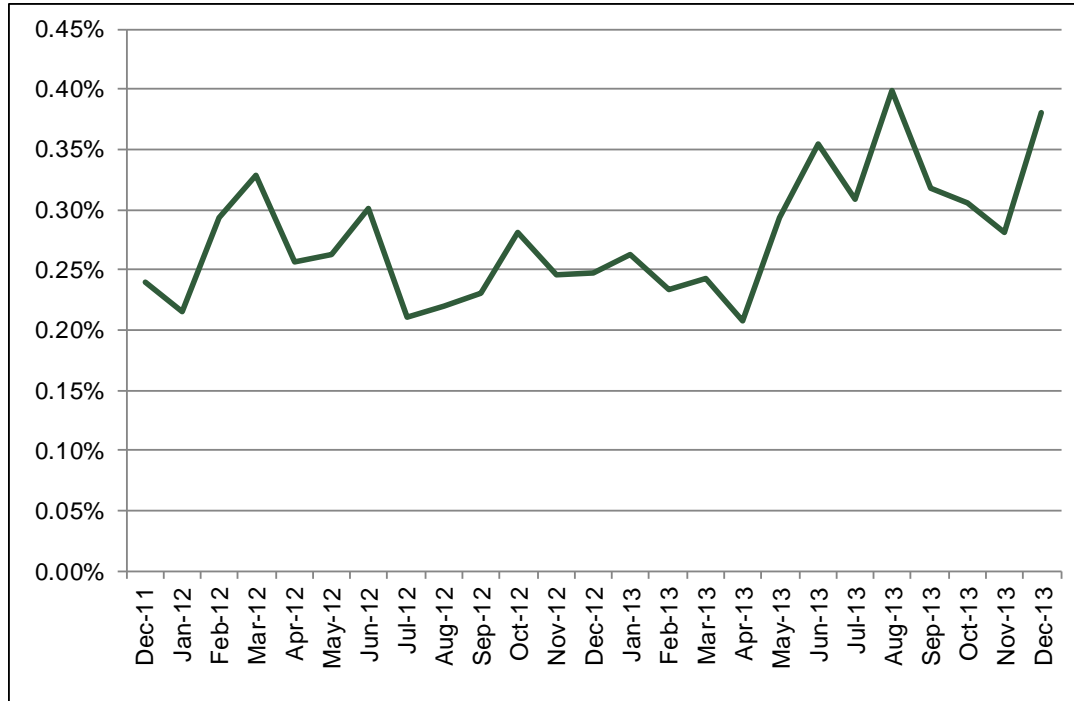


Source: U.S. Department of Commerce

The final estimate for real annualized GDP growth for the third quarter of 2013 was 4.1%, up from the second estimate of 3.6%. This follows the second quarter GDP growth of 2.5%. Third quarter growth was greater than expected. Inventory accumulation during the third quarter may weigh on fourth quarter growth.



Yield on the Two-Year Note December 2011 through December 2013

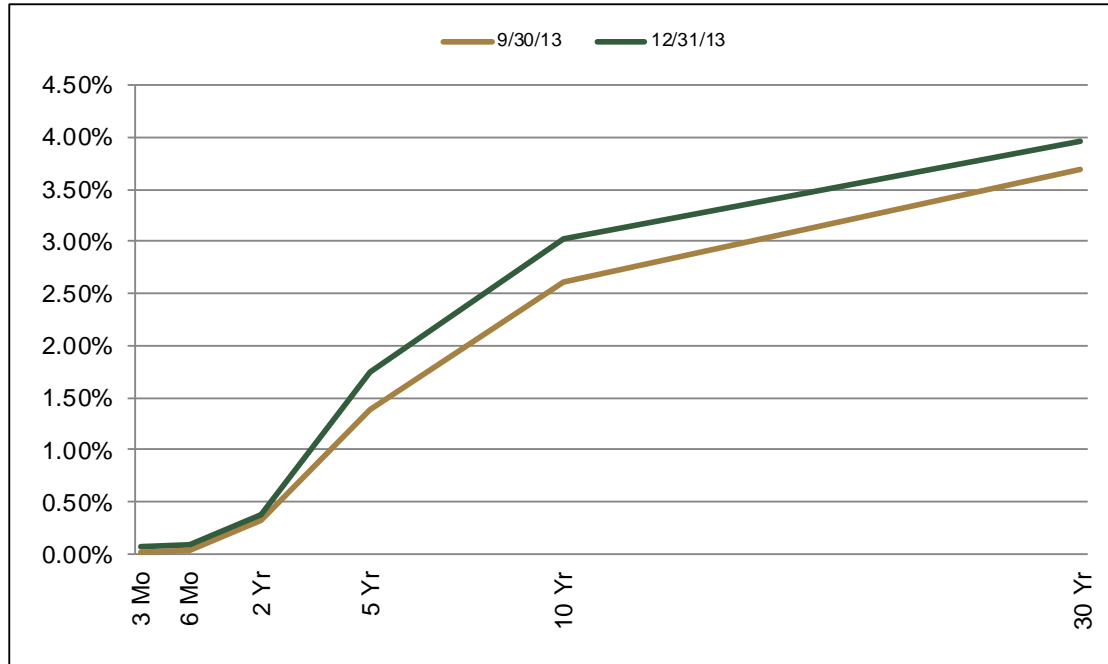


Source: Bloomberg

The yield on the two-year Treasury note increased during December. Rates have been somewhat volatile as market participants have reacted to economic data releases and speculation about the timing of the Federal Reserve's tapering policy.



September 30, 2013 and December 31, 2013



Source: Bloomberg

During the past three months, the yield curve steepened with speculation about the timing of Federal Reserve's tapering, which was finally answered at the Fed's December meeting.



Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** January 16, 2014

FROM: Matt Collings, Assistant General Manager

SUBJECT: Resolution Providing for the Issuance of 2014 Consolidated Refunding Bonds (Improvement District Nos. 6 and 7) (Resolution No. 14-__)

SUMMARY

Issue: Consideration of the Issuance of Consolidated Refunding Bonds for Improvement District Nos. 6 and 7.

Recommendation: It is recommended that the Board of Directors adopt Resolution 14-__ entitled “Resolution of the Board of Directors of the Moulton Niguel Water District Providing for the Issuance of 2014 Consolidated Refunding Bonds to Refund its 2003 Consolidated Refunding Bonds, Approving Certain Documents and Authorizing and Ratifying Certain Actions”, after conducting a hearing on the consolidated issuance.

Fiscal Impact: If the 2014 Refunding Bonds are approved, debt service savings will be equal to or exceed 3% (on a net present value basis) of the 2003 Bonds to be refunded, or the transaction will not be consummated.

DISCUSSION:

There presently exists \$22,540,000 of outstanding principal from the District’s 2003 Refunding Issue for Improvement District Nos. 6 and 7, all of which is eligible for refunding in order to reduce the District’s total debt service obligation and realize savings for the residents in Improvement District Nos. 6 and 7. The Board of Directors is requested to adopt the Resolution of Issuance and approve as to form the attached Preliminary Official Statement, Continuing Disclosure Certificate, and Bond Purchase Agreement, so long as the sale of the Refunding Bonds will produce a net present value savings equal to or greater than 3% of the 2003 Consolidated Refunding Bonds, or \$676,000. These documents are in substantially final form, but will be modified to include results of the bond sale and any other material information that requires

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disclosure between now and the date of closing (anticipated to be February 26, 2014). The General Manager is authorized to make final changes to the documents presented to the Board in this issuance resolution.

As of Tuesday January 7, 2014, the estimated net present value debt service savings are 5.97%, or approximately \$1.35 million. It is expected that savings will remain well above the 3% minimum between now and the date of sale. All savings that result from this issue will be passed on to taxpayers in Improvement Districts Nos. 6 and 7 through lower property tax rates. The total savings to taxpayers in Improvement Districts Nos. 6 and 7 is estimated to be \$1.3-1.4 million over the life of the bonds (through 2019).

The Resolution of Issuance approves moving forward with the sale of the Refunding Bonds, if the requisite savings are achieved. If the net present value savings level equals or exceeds 3%, the General Manager is authorized to complete the sale and finalize the financing documents without further Board action. Costs incurred for the issuance of the Bonds are contingent on a sale, and will be paid from Bond proceeds. The Board will conduct a hearing on the issuance of the Refunding Bonds on a consolidated basis with respect to Improvement District Nos. 6 and 7 prior to adoption of the Resolution of Issuance.

The schedule anticipates a bond sale on February 13, 2014 with a closing date and establishment of the escrow account to refund the outstanding bonds on February 26, 2014. The outstanding 2003 Consolidated Refunding Bonds would be refunded on their call date, March 1, 2014.

The Consolidated Refunding Bonds constitute several (but not joint) obligations of Improvement District No. 6 and Improvement District No. 7 of the District. The Bonds are payable from ad valorem assessments on land in the Improvement Districts, proceeds from the sale of property in the Improvement Districts for delinquent assessments and moneys in certain funds and accounts held under the Indenture. The District has no obligation to pay debt service on the Consolidated Refunding Bonds from any other source of District funds.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Directors by District staff and its financing team. The Preliminary Official Statement must include all facts that would be "material" to an investor in the Consolidated Refunding Bonds. Material information is information that a reasonable investor would consider significant when deciding whether or not to buy the Consolidated Refunding Bonds. Members of the Board of Directors may review the Preliminary Official Statement and/or question staff and consultants to make sure they feel comfortable that it includes all material facts.

The security for the Consolidated Refunding Bonds is described in the section of the Preliminary Official Statement entitled "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS"; general background information about the District is located in the in the section of the Preliminary Official Statement entitled "MOULTON NIGUEL

WATER DISTRICT” and “APPENDIX F - “Certain Demographic Information for the Service Area”; and information about the Improvement Districts is located in the section of the Preliminary Official Statement entitled “THE IMPROVEMENT DISTRICTS.” Relevant statutory and constitutional matters are described in the section of the Preliminary Official Statement entitled “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES.”

- Attachments:
1. Resolution of Issuance (ROI)
 2. Indenture of Trust (attached to the ROI as Exhibit A)
 3. Preliminary Official Statement (POS)
 4. Continuing Disclosure Certificate (attached to the POS as Exhibit C)
 5. Bond Purchase Agreement

RESOLUTION NO. 14-__**RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT PROVIDING FOR THE ISSUANCE OF 2014 CONSOLIDATED REFUNDING BONDS TO REFUND ITS 2003 CONSOLIDATED REFUNDING BONDS, APPROVING CERTAIN DOCUMENTS AND AUTHORIZING AND RATIFYING CERTAIN ACTIONS**

WHEREAS, pursuant to Resolution No. 03-08 adopted by the Board of Directors (the "Board") of the Moulton Niguel Water District (the "District") on April 17, 2003, the Board authorized the issuance and sale of consolidated refunding bonds of the District designated "MOULTON NIGUEL WATER DISTRICT 2003 CONSOLIDATED REFUNDING BONDS" (the "Prior Bonds"), for the benefit of Improvement District 6, Improvement District 7 and Improvement District 8 of the District;

WHEREAS, the Prior Bonds were issued on June 1, 2003, in the principal amount of \$62,975,000;

WHEREAS, all of the Prior Bonds allocated to Improvement District 8 have been repaid in full;

WHEREAS, of said \$62,975,000 principal amount of the Prior Bonds, \$22,540,000 remains outstanding;

WHEREAS, pursuant to Section 36063 of the California Water Code, the Board has determined that the prudent management of the fiscal affairs of District and of Improvement District Nos. 6 and 7 (collectively, the "Improvement Districts" and each, an "Improvement District") requires that refunding bonds be issued to refund the Prior Bonds for the purpose of reducing debt service costs on the Prior Bonds;

WHEREAS, pursuant to Section 36063(a)(2) of the California Water Code, refunding bonds may be issued if the total interest cost to maturity of the refunding bonds added to the principal amount of those refunding bonds will be less than the total interest cost to maturity of the bonds being refunded added to the principal amount of the bonds being refunded.

WHEREAS, pursuant to California Water Code Section 36063(c), when bonds have been refunded, the refunding bonds shall thereafter take the place of, and be deemed for all purposes to be, the bonds corresponding to the portion of the authorization by the voters from which the refunded bonds were originally issued and shall be payable from the same funds as those refunded bonds, and such previously issued portion of authorization shall be deemed to be the amount of indebtedness issued from the voter authorization representing the refunded bonds;

WHEREAS, the Board has evaluated the various factors associated with the issuance of the refunding bonds as consolidated bonds, and has found that the sale of the refunding bonds of the Improvement Districts as consolidated bonds will not increase the cost that any

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Improvement District will pay for its bonds over the cost it would have paid had its refunding bonds been sold separately;

WHEREAS, the Board deems it proper that consolidated refunding bonds be issued as "MOULTON NIGUEL WATER DISTRICT 2014 CONSOLIDATED REFUNDING BONDS" (the "Refunding Bonds"), constituting the consolidated several general obligations of the Improvement Districts to refund the Prior Bonds pursuant to Sections 36060 et seq. and Sections 36447 et seq. of the California Water Code, and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Act");

WHEREAS, the Board hereby desires to proceed to authorize the issuance and sale of the Refunding Bonds, so long as the sale of the Refunding Bonds will produce a net present value savings on the Prior Bonds of at least 3% of the principal amount of the Prior Bonds being refunded;

WHEREAS, the Refunding Bonds are to be issued under and pursuant to this Resolution and an indenture of trust in the form attached hereto as Exhibit A, with such changes, insertions and omissions as are made pursuant to this Resolution (the "Indenture"). Capitalized terms used herein and not otherwise defined in this Resolution shall have the meanings set forth in the Indenture;

WHEREAS, the Board desires to select the initial trustee and approve the form of the Indenture for the Refunding Bonds;

WHEREAS, the Board has engaged Public Financial Management (the "Financial Advisor") to advise the Board with regards to certain financial matters related to the issuance of the Refunding Bonds;

WHEREAS, it is proposed that the Refunding Bonds be sold pursuant to a Bond Purchase Agreement between the District and Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter");

WHEREAS, the Refunding Bonds will be offered for sale utilizing an Official Statement;

WHEREAS, a portion of the proceeds of the Refunding Bonds will be deposited with the trustee selected pursuant hereto, to be held in escrow and applied to the redemption of the Prior Bonds;

WHEREAS, in connection with the delivery of the Refunding Bonds, the District will execute and deliver a Continuing Disclosure Certificate for the benefit of the bondowners and in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

WHEREAS, the Board has been presented with the forms of the Indenture, Bond Purchase Agreement, and Continuing Disclosure Certificate, which set forth or describe the terms of the Refunding Bonds and the sale thereof to the Underwriter and pursuant to which the above-described transactions will be accomplished; and

WHEREAS, the Board finds that the sale of the Refunding Bonds on such terms is in the best interest of the District and both of the Improvement Districts, and finds that such sale on such terms will not cause any Improvement District to pay more than it would have paid had refunding bonds thereof been sold without such terms.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF MOULTON NIGUEL WATER DISTRICT DOES HEREBY **RESOLVE, DETERMINE AND ORDER** AS FOLLOWS:

Section 1. Recitals. Each of the above recitals is true and correct.

Section 2. Authorizations; Refunding Savings Test. The Refunding Bonds shall be issued pursuant to the Act, and in an amount such that sale of the Refunding Bonds will produce a net present value savings on the Prior Bonds of at least 3% of the principal amount of the Prior Bonds being refunded, such final amount to be determined at the time of sale so as to be sufficient, together with other funds available therefor, to pay the costs of issuance of the Refunding Bonds and to pay the principal and interest on the Prior Bonds to be redeemed on March 1, 2014. The Refunding Bonds shall constitute the several consolidated obligations of the Improvement Districts, in the proportions determined by the General Manager of the District, or her designee (the "Authorized Officer"), upon advice of the Financial Advisor and set forth in a certificate delivered by the Authorized Officer at the time of closing and delivery of the Refunding Bonds, which shall be the proportions of the principal amount of the Refunding Bonds necessary to refund each Improvement District's respective allocations of the outstanding Prior Bonds.

In accordance with Section 36063(a)(2) of the Water Code, the Refunding Bonds shall not be issued unless the total interest cost to maturity of the Refunding Bonds added to the principal amount of the Refunding Bonds will be less than the total interest cost to maturity of the Prior Bonds added to the principal amount of the Prior Bonds. The Board hereby designates the items specified in California Government Code Section 53550(e)(1), (2)(B) and (3) as "designated costs of issuing the refunding bonds" pursuant to California Government Code Section 53550(f).

Section 3. Bond Terms. The Refunding Bonds shall be designated "MOULTON NIGUEL WATER DISTRICT 2014 CONSOLIDATED REFUNDING BONDS" and shall be numbered as determined by the Trustee (defined below). The Refunding Bonds shall be of the denominations specified in the Indenture. The Refunding Bonds shall be dated, bear interest at the rates, mature on the dates and in the aggregate principal amounts, be issued in the form, and have such other terms and be in other respects as provided in the Indenture.

Section 4. Execution of Refunding Bonds. Pursuant to Section 5050 of the California Government Code, the President of the Board, or in his absence a Vice President, is hereby authorized and directed to sign all of the Refunding Bonds by his manual or facsimile signature and the Secretary of the District is hereby authorized and directed to attest the Refunding Bonds by her manual or facsimile signature and to affix thereto the seal of the District by facsimile or otherwise.

Section 5. Indenture of Trust. The Refunding Bonds shall be issued pursuant to the Indenture with U. S. Bank National Association, as trustee (the "Trustee") and U.S. Bank National

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Association is hereby appointed to act as the Trustee. The Indenture, including the form of the Refunding Bonds, is hereby approved in the form presented to the Board with this Resolution, and the Authorized Officer, and Secretary of the District are authorized and directed to execute it in the form so presented, with such changes, insertions and deletions as are approved by, and on the date for closing and delivery established by, the Authorized Officer and Bond and Disclosure Counsel to the District, which approval will be conclusively evidenced by execution and delivery thereof. The form of the Indenture as so executed and delivered is incorporated herein as of its date, by this reference. This Resolution, the Indenture and each Refunding Bond shall together constitute the contract between the District and the owner of such Refunding Bond, and reference is hereby made to this Resolution, the Indenture and each Refunding Bond for a complete statement of such contract.

Section 6. Sources of Payment. The Refunding Bonds shall be the several consolidated obligations of the Improvement Districts in the proportion that the respective amounts of Refunding Bonds attributed to each Improvement District determined as set forth in Section 2 hereof bears to the aggregate principal amount of Refunding Bonds being issued. The Refunding Bonds shall be payable from the following sources: (1) ad valorem assessments on taxable land in the Improvement Districts and (2) proceeds from the sale of property in the Improvement Districts for delinquent assessments, all such amounts referred to in clauses (1) and (2) to be collected and applied as the several obligations of the Improvement Districts as provided herein, and (3) all moneys and earnings thereon held in the funds and accounts created under the terms of the Indenture (except the Costs of Issuance Fund and the Rebate Fund, as those terms are defined in the Indenture).

Section 7. Covenant for Annual Assessments. The District covenants to impose and collect or cause the imposition and collection of the annual assessments in the Improvement Districts, and delinquent assessments and proceeds from the sale of property therefor, in the amounts necessary, along with other funds as may be available to the District at its discretion, to satisfy the requirements stated in the Indenture. The assessments levied upon and collected within any Improvement District shall not exceed the amount required to pay such Improvement District's proportional share of the interest and principal on the Refunding Bonds, which share shall correspond to the portion of the total par value of the Refunding Bonds comprised by the par value included on behalf of such Improvement District, as specified in Section 2 hereof. Any provision of this Resolution to the contrary notwithstanding, the District may, to the extent permitted by law, but shall not be obligated to, apply funds of the District to the payment of principal and interest on the Refunding Bonds. The covenants set forth herein and in the Indenture to be executed in accordance with Section 5 above are hereby approved and shall be deemed to be covenants of the Board and shall be complied with by the District and its officers. This Resolution and the Indenture constitute a contract between the District and the owners of the Refunding Bonds.

Section 8. Escrow Fund. A portion of the proceeds of the sale of the Refunding Bonds as specified in the Indenture shall, upon receipt under the Indenture, be deposited in an escrow fund or funds. The moneys in the escrow fund shall be applied exclusively to the redemption of the Prior Bonds and as otherwise provided by the Indenture.

Section 9. General Obligation Bond Fund. There shall be created and funded pursuant to the Indenture a separate general obligation bond fund in the District treasury to be designated "MOULTON NIGUEL WATER DISTRICT 2014 CONSOLIDATED REFUNDING BONDS, GENERAL OBLIGATION BOND FUND" or as otherwise provided in the Indenture (the "General Obligation Bond Fund").

Moneys deposited in the General Obligation Bond Fund shall be apportioned within the fund according to each Improvement District's proportional share thereof determined as specified in Section 2 hereof. The General Obligation Bond Fund shall be applied for the purposes provided in the Indenture, and all taxable land within each Improvement District having a proportional share thereof shall be and remain liable to be assessed for such purposes. The assessments levied upon and collected within any such Improvement District shall not exceed the amount required to pay such Improvement District's proportional share of the interest and principal on the Refunding Bonds, which share shall correspond to the portion of the total value of the Refunding Bonds comprised by the par value included on behalf of such Improvement District. Moneys raised by each Improvement District for this purpose shall be deposited in the Improvement District's account within the General Obligation Bond Fund and shall be used solely for the purpose of paying such Improvement District's proportional share of the interest and principal on the Refunding Bonds in accordance with the Indenture.

Section 10. Other Funds and Accounts. There shall be created such other funds and accounts as are required under the Indenture. Any moneys deposited in any such fund and account shall be obtained from and apportioned within the fund and account according to each Improvement District's proportional share in accordance with Section 36447.1 of the California Water Code. Moneys in any fund and account shall be disbursed only to the extent of the share apportioned therein to the Improvement District on whose behalf they are disbursed. Any annual assessments used to establish any fund or account under the Indenture shall be set aside within such fund and account to the account of the Improvement District from which they were obtained.

Section 11. Additional Document Approval; Appointments. The Bond Purchase Agreement and the Continuing Disclosure Certificate are hereby approved in substantially the form presented to the Board with this Resolution, and, subject to the required refunding savings set forth in Section 2 hereof, the Authorized Officer and Secretary are authorized and directed to execute such agreements in substantially the form presented, with such changes, insertions and deletions as are approved by the Authorized Officer and Bond and Disclosure Counsel to the District, which approval shall be conclusively evidenced by execution and delivery thereof. The forms of the Bond Purchase Agreement and the Continuing Disclosure Certificate as so executed and delivered are incorporated herein as of their dates, by this reference. U.S. Bank National Association is hereby appointed as the Dissemination Agent (as defined in the Continuing Disclosure Certificate) under the Continuing Disclosure Certificate. The Board hereby appoints the firm of Jones Hall to act as Bond and Disclosure Counsel to the District relative to the issuance and sale of the Refunding Bonds ("Bond and Disclosure Counsel") and approves and authorizes the execution of a Bond and Disclosure Counsel engagement letter by the General Manager of the District .

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Section 12. Negotiated Sale Finding. In accordance with Sections 36063(d) and 36447.7 of the California Water Code, and after review of the terms and provisions of the Refunding Bonds (including the terms of the sale of the Refunding Bonds under the proposed form of the Bond Purchase Agreement), the Board hereby finds that the sale of the Refunding Bonds at private sale without advertising for bids is consistent with the prudent management of the District's fiscal affairs and will produce a net present value savings on the Prior Bonds of at least 3% of the principal amount of the Prior Bonds being refunded.

Section 13. Preliminary Official Statement. The preliminary official statement (the "Preliminary Official Statement"), in substantially the form presented to the Board at this meeting, is hereby approved. The Underwriter is hereby authorized to distribute the Preliminary Official Statement (inclusive of any changes deemed necessary by the Underwriter, the Authorized Officer, and Bond and Disclosure Counsel to the District prior to its mailing) in connection with the marketing of the Refunding Bonds at such time as the Preliminary Official Statement is deemed final as indicated by a certificate executed by the General Manager or Authorized Officer.

Section 14. Official Statement. A final official statement to be dated the date of the Bond Purchase Agreement (the "final Official Statement"), in substantially the form of the Preliminary Official Statement with such changes thereto as are necessary or appropriate to reflect the actual terms of the Refunding Bonds and such other changes as the Authorized Officer and Bond and Disclosure Counsel to the District, with the concurrence of the General Manager of the District shall approve (such approval to be conclusively evidenced by the execution and delivery thereof), is hereby approved, and the Board hereby approves the use of the final Official Statement by the Underwriter in connection with the offering and sale of the Refunding Bonds, and the Board hereby further approves the use by the Underwriter of any supplement or amendment to the final Official Statement which the Authorized Officer shall determine, upon consultation with the Financial Advisor and Disclosure Counsel is necessary so that the final Official Statement does not include any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein not misleading. The General Manager of the District is hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in the name and on behalf of the District and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

Section 15. Distribution of Official Statement. The distribution of the final Official Statement, inclusive of the above-authorized changes, is hereby authorized.

Section 16. Services Authorization. The Authorized Officer is authorized to contract for all services necessary to effect the issuance and sale of the Refunding Bonds. Such services shall include, but not be limited to, printing the Preliminary Official Statement and the final Official Statement, obtaining legal services, escrow verification services and any other services deemed appropriate by the Authorized Officer. The Authorized Officer is authorized to pay for the cost of such services, together with other Costs of Issuance, from proceeds of the Refunding Bonds deposited pursuant to the Indenture.

Section 17. Actions Ratified. All actions heretofore taken by officers and agents of the District with respect to the sale and issuance of the Refunding Bonds are hereby approved,

confirmed and ratified, and the President and the General Manager, or their designees, and the Authorized Officer and Secretary of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Refunding Bonds.

Section 18. Effectiveness. This Resolution shall take effect immediately upon its adoption.

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ADOPTED, SIGNED AND APPROVED this 16th day of January, 2014.

MOULTON NIGUEL WATER DISTRICT

President
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

Secretary
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

APPROVED AS TO FORM:

Bowie, Arneson, Wiles & Giannone
Legal Counsel - MOULTON NIGUEL
WATER DISTRICT

By _____
Patricia B. Giannone

INDENTURE OF TRUST

by and between the

MOULTON NIGUEL WATER DISTRICT

and

**U.S. BANK NATIONAL ASSOCIATION
as Trustee**

Dated as of February 1, 2014

**\$()
MOULTON NIGUEL WATER DISTRICT
2014 CONSOLIDATED REFUNDING BONDS**

**Constituting the Consolidated Several
General Obligations of Improvement
District Nos. 6 and 7**

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THIS INDENTURE OF TRUST is dated as of February 1, 2014 (this "Indenture") by and between MOULTON NIGUEL WATER DISTRICT, a California water district under the laws of the State of California (the "District"), and U. S. BANK NATIONAL ASSOCIATION a national banking association, as trustee (the "Trustee").

WITNESSETH

WHEREAS, a special election was duly and legally conducted in Improvement District No. 6 of the District on April 23, 1978, at which election there was submitted and approved by more than two-thirds of the voters voting thereon general obligation bonds in the amount of \$140,838,000, consisting of \$100,677,000 for water purposes and \$40,161,000 for sewer purposes as set forth in the proposition approving said bonds (the "1978 Improvement District No. 6 Authorization");

WHEREAS, of the 1978 Improvement District No. 6 Authorization of \$140,838,000, \$63,400,000 of bonds have been issued and sold;

WHEREAS, bonds comprising a portion of consolidated bonds designated "BONDS OF MOULTON NIGUEL WATER DISTRICT 1993 CONSOLIDATED REFUNDING BONDS" (the "1993 Bonds") in the apportioned amount of \$60,810,000 have been issued and sold to refund five series of bonds pursuant to the 1978 Improvement District No. 6 Authorization, along with other series of bonds described in the recitals;

WHEREAS, a special election was duly and legally held and conducted in Improvement District No. 7 of the District on April 23, 1978, at which election there was submitted and approved by more than two-thirds of the voters voting thereon general obligation bonds in the amount of \$26,664,000, consisting of \$14,389,000 for water purposes and \$12,275,000 for sewer purposes as set forth in the proposition approving said bonds (the "1978 Improvement District No. 7 Authorization");

WHEREAS, of the 1978 Improvement District No. 7 Authorization of \$26,664,000, \$19,800,000 of bonds have been issued and sold;

WHEREAS, bonds comprising a portion of the 1993 Bonds in the apportioned amount of \$19,140,000 have been issued and sold to refund four series of bonds pursuant to the 1978 Improvement District No. 7 Authorization, along with other series of bonds described in the recitals;

WHEREAS, a special election was duly and legally held and conducted in Improvement District No. 8 of the District on May 23, 1978, at which election there was submitted and approved by more than two-thirds of the voters voting thereon general obligation bonds in the amount of \$13,939,000, consisting of \$9,061,000 for water purposes and \$4,878,000 for sewer purposes as set forth in the proposition approving said bonds (the "1978 Improvement District No. 8 Authorization");

WHEREAS, of the 1978 Improvement District No. 8 Authorization of \$13,939,000, \$6,950,000 of bonds have been issued and sold;

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WHEREAS, bonds comprising a portion of the 1993 Bonds in the apportioned amount of \$5,130,000 have been issued and sold to refund two series of bonds pursuant to the 1978 Improvement District No. 8 Authorization, along with other series of bonds described in the recitals;

WHEREAS, pursuant to Resolution No. 03-08 adopted by the Board of Directors on April 17, 2003, the Board of Directors authorized consolidated refunding bonds of the District designated "MOULTON NIGUEL WATER DISTRICT 2003 CONSOLIDATED REFUNDING BONDS" (the "Prior Bonds"), and to issue bonds for Improvement District 6, Improvement District 7 and Improvement District 8 in order to refund the 1993 Bonds;

WHEREAS, the Prior Bonds were issued on June 1, 2003 in the principal amount of \$62,975,000;

WHEREAS, all of the Prior Bonds allocated to Improvement District 8 have been repaid in full;

WHEREAS, of said \$62,975,000 principal amount of the Prior Bonds, \$22,540,000 remains outstanding;

WHEREAS, pursuant to Section 36063 of the California Water Code, the Board of Directors has determined that the prudent management of the fiscal affairs of District and of Improvement District Nos. 6 and 7 (collectively, the "Improvement Districts" and each, an "Improvement District") requires that refunding bonds be issued to refund the Prior Bonds for the purpose of reducing debt service costs on the Prior Bonds;

WHEREAS, the Board of Directors has evaluated the various factors associated with the issuance of the refunding bonds as consolidated bonds and has found that the sale of the refunding bonds of the Improvement Districts as consolidated bonds will not increase the cost that any Improvement District will pay for its bonds over the cost it would have paid had its refunding bonds been sold separately;

WHEREAS, pursuant to Section 36063(a)(2) of the California Water Code, refunding bonds may be issued if the total interest cost to maturity of the refunding bonds added to the principal amount of those refunding bonds will be less than the total interest cost to maturity of the bonds being refunded added to the principal amount of the bonds being refunded.

WHEREAS, pursuant to California Water Code Section 36063(c), when bonds have been refunded, the refunding bonds shall thereafter take the place of, and be deemed for all purposes to be, the bonds corresponding to the portion of the authorization by the voters from which the refunded bonds were originally issued, and shall be payable from the same funds as those refunded bonds, and such previously issued portion of authorization shall be deemed to be the amount of indebtedness issued from the voter authorization representing the refunded bonds;

WHEREAS, the Board of Directors deems it proper that consolidated bonds be issued as "MOULTON NIGUEL WATER DISTRICT 2014 CONSOLIDATED REFUNDING BONDS" (the

"Bonds"), constituting the consolidated several general obligations of the Improvement Districts to refund the Prior Bonds pursuant to Sections 36060 et seq. and Sections 36447 et seq. of the California Water Code, and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the District according to the import thereof, have been done and performed.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the District, in consideration of the premises, the acceptance by the Trustee of those trusts hereby created and established with the Trustee, the purchase and acceptance of the Bonds by the purchasers thereof and other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of, premium, if any, and interest on all Bonds outstanding hereunder from time to time, according to their tenor and effect, and such other payments required to be made under this Indenture, and to secure the observance and performance by District of all the covenants, expressed and implied herein and in the Bonds, does hereby grant, bargain, convey, assign, mortgage, pledge and grant a security interest unto the Trustee, and unto its successors in the trusts hereunder, and to them and their successors and assigns forever, in all right, title and interest of District in, to and under, subject to the terms and conditions of this Indenture, each and all of the monies in the General Obligation Bond Fund, the Bond Payment Fund and the Redemption Fund, and all accounts in such funds established by this Indenture including the investments, if any, thereof, and all income and proceeds derived from such investments (collectively referred to as the "Trust Estate").

TO HAVE AND TO HOLD IN TRUST all of the same hereby pledged, conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors and assigns forever for the equal and ratable benefit of the registered Owners from time to time of the Bonds authenticated hereunder and issued by the District and outstanding and without any priority as to the Trust Estate of any one Bond over any other (except as expressly provided in or permitted by this Indenture), upon the trusts and subject to the covenants and conditions hereinafter set forth;

PROVIDED, HOWEVER, that if the District, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds issued and secured hereunder, the premium, if any, and the interest due or to become due thereon, at the times and in the manner mentioned in such Bonds, according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon such final payments, this Indenture and the invested rights hereby granted shall cease and terminate, otherwise this Indenture to be and remain in full force and effect;

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared that, all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the rights and property hereby granted, bargained, conveyed, assigned, mortgaged and pledged are

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to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the District has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective registered Owners, from time to time, of the Bonds, as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

"Act" means the California Water District Law, Division 13 of the California Water Code, as amended from time to time and, with respect to the issuance of the Bonds, Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

"Board of Directors" means the Board of Directors of the District.

"Bond Counsel" means any firm of nationally recognized municipal bond attorneys selected by the District and experienced in the issuance of municipal bonds and the exclusion of the interest thereon from gross income for federal income tax purposes.

"Bond Register" means the books that the Trustee shall keep or cause to be kept at its principal corporate trust office on which the registration and transfer of the Bonds shall be recorded pursuant to Section 2.09 hereof.

"Bondowner(s)" or "Owner(s)" means the person or persons in whose name or names any Bond is registered.

"Bond Year" means the 12-month period commencing on the day after expiration of the preceding Bond Year, except the first Bond Year, which shall commence on the Delivery Date and end on []. The first full Bond Year shall begin on [].

"Bonds" means the 2014 Consolidated Refunding Bonds of the District.

"Business Day" means any day other than (i) Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate dated the Delivery Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the District and related to the sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, cost of reproducing and binding documents, closing

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costs, escrow verification costs, initial fees and expenses of the Trustee, Prior Bonds registrar/paying agent, legal fees and charges, including bond counsel, financial consultants' fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"Delivery Date" means the date on which the Bonds are delivered to the Underwriter.

"Depository" means the securities depository acting as Depository pursuant to Section 3.05 hereof.

"District" means the Moulton Niguel Water District.

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

"Escrow Fund" means the fund created pursuant to Section 4.05 hereof.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

"Fitch" means Fitch Ratings, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Government Obligations" means:

- (i) Direct obligations (including obligations issued or held in book entry form on the books of the Department of Treasury) of the United States of America, or
- (ii) Senior debt obligations of other government sponsored agencies.

"Improvement Districts" means Improvement District Nos. 6 and 7 of the District.

"Indenture" means this Indenture of Trust, dated as of February 1, 2014, by and between the District and the Trustee, as it may from time to time be supplemented or amended pursuant to the provisions hereof.

"Interest Payment Date" means September 1 and March 1 of each year during which Bonds are Outstanding, commencing September 1, 2014.

"Moody's" means Moody's Investors Service, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Nominee" means the nominee of DTC, which may be DTC, as determined from time to time pursuant to Section 3.05 hereof.

"Notice Party" means either of the District or the Trustee.

"Outstanding" means all Bonds theretofore issued by the District, except:

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms hereof; and
- (3) Bonds paid and discharged pursuant to Section 10.01 hereof.

"Participant" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository.

"Participating Underwriter" shall have the meaning(s) ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the District's funds, as determined by the District, but only to the extent that the same are acquired at Fair Market Value:

- (i) Government Obligations;
- (ii) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Rural Economic Community Development Administration (formerly

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- the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank.

(iii) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Indenture Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies.

(iv) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term bonds of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 calendar days after the date of purchase.

(v) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(vi) A taxable or tax exempt government money market portfolio mutual fund restricted to obligations with either maturities of one year or less or a dollar weighted average maturity of 120 days or less, and either issued, guaranteed or collateralized as to payment of principal and interest by the full faith and credit of the United States of America or rated in one of the three highest categories by Moody's or Standard & Poor's. Such money market funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(vii) Pre-refunded "Municipal Obligations" defined as follows: Any obligations 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; and

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

(2) which are fully secured as to principal and interest by an escrow consisting only of cash or obligations described in paragraph (i) of the definition of Government Obligations hereinafter, which escrow may be applied only to the payment of such principal and interest on such obligations or other obligations on the maturity date or dates thereof 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 obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(viii) Municipal obligations rated "Aaa/AAA" or general obligations of the State with a rating of at least "A2/A" or higher by both S&P and Moody's.

(ix) The Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State.

(x) Cash (insured at all times by the Federal Deposit Insurance Corporation).

"Person" means mutual persons, firms, corporations, partnerships, associations, trusts, public boards and other entities.

"Prior Bonds" shall have the meaning set forth in the Recitals hereto.

"Prior Bonds Resolution" means District Resolution No. 03-08 adopted by the Board of Directors on April 17, 2003, which provided for the issuance, sale and delivery of the Prior Bonds.

"Rating Agencies" means Fitch, Moody's and S&P.

"Record Date" means the 15th day of the calendar month preceding an Interest Payment Date whether or not such day is a Business Day.

"Registrar" means the Trustee, or the institution appointed by the District pursuant to Section 2.06 hereof.

"Regulations" means any temporary, proposed or final regulations of the United States Department of Treasury with respect to obligations issued pursuant to Section 103 and Sections 141 to 150 of the Code.

"Resolution" means Resolution No. [] adopted by the Board of Directors on January [16], 2014, authorizing the issuance of the Bonds and approving the terms and provisions of this Indenture.

"Standard & Poor's" or "S&P" means Standard & Poor's Ratings Group, and its successors and assigns, except that if such division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

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"State" means the State of California.

"Tax Certificate" means that Certificate as to Arbitrage and Certificate Regarding Use of Proceeds signed by the District on the Delivery Date relating to the Bonds and the Prior Bonds.

"Treasurer" means the Treasurer of the District.

"Trustee" means U.S. Bank National Association, a national banking association duly incorporated and existing under and by virtue of the laws of the United States of America, or any other bank or trust company duly incorporated and existing under and by virtue of the laws of any state or of the United States of America, which may be substituted in its place as provided in this Indenture.

"Underwriter" means Stifel, Nicolaus & Company, Incorporated.

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.01 Amount, Purpose and Nature of Bonds. Pursuant to the Act, the issuance of the Bonds is hereby authorized in the aggregate principal amount of \$[] for the purpose of currently refunding the Prior Bonds, to be designated as "Bonds of Moulton Niguel Water District, 2014 Consolidated Refunding Bonds," constituting the consolidated several general obligations of Improvement District Nos. 6 and 7. The District reserves the right to issue obligations other than the Bonds payable from any source, including the same sources described in Section 2.03 hereof.

The principal amount of the Bonds of \$[] shall be sufficient (together with monies to be transferred pursuant to Section 4.05 hereof) to pay the Costs of Issuance and to make the deposit to the Escrow Fund for the redemption of the Prior Bonds, as specified in Section 4.05 hereof. The \$[] principal amount of the Bonds and the corresponding percentage allocation ("Principal Allocation Percentage") is allocated among the Improvement Districts as follows (the "Principal Amount Allocation") and corresponds to the principal amount of Bonds being issued to refund each Improvement District's Prior Bonds.

<u>Improvement District No.</u>	<u>Principal Amount Allocation</u>	<u>Principal Allocation Percentage</u>
6:	\$[]	[]%
7:	[]	[]
	\$[]	100.0000%

Each Improvement District's proportional share of the principal and interest on the Bonds for each year the Bonds are Outstanding is set forth in Exhibit A and as discussed below in Section 2.02.

Section 2.02 Several Obligations. Pursuant to Section 36447 and following of the Act, the Bonds shall constitute the consolidated, several obligations of the Improvement Districts, each in an amount sufficient to pay each Improvement District's proportional share of the principal and interest on, the Bonds, as set forth in Exhibit A during the period any Bonds are Outstanding.

Section 2.03 Sources of Payment on the Bonds. The Bonds shall be payable from the following sources: (i) ad valorem assessments on land in the Improvement Districts, (ii) proceeds from the sale of property in the Improvement Districts for delinquent assessments, all such amounts referred to in clauses (i) and (ii) to be collected and applied to the several obligations of the Improvement Districts as provided herein, and (iii) all monies and earnings thereon held by the Trustee and the District as provided in Sections 4.03 and 6.02 hereof. Notwithstanding anything to the contrary in this Indenture, monies held in the Costs of Issuance Fund and the Rebate Fund are not pledged to the Bonds, and such funds shall not be construed as trust funds held for the benefit of the Bondowners.

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Any assessment for payment of the Bonds, including interest or premium thereon, shall be limited to annual assessments to be levied upon and collected from the taxable lands within the Improvement Districts in their several respective shares as set forth in this Indenture and to the proceeds from the sale of property for delinquent assessments in each of the Improvement Districts. The Bonds are issued by the District on behalf of the Improvement Districts, which are severally but not jointly obligated for the payment of the principal of, premium, if any, and interest on their respective Principal Amount Allocation.

Any provision of this Indenture to the contrary notwithstanding, the District may, to the extent permitted by law, but shall not be obligated to, apply funds of the District other than those collected from the Improvement Districts set forth above to the payment of principal of, premium, if any, and interest on the Bonds.

Section 2.04 Description of Bonds. The Bonds shall be designated "BONDS OF MOULTON NIGUEL WATER DISTRICT, 2014 CONSOLIDATED REFUNDING BONDS". The Bonds shall be issued in fully registered form without coupons, in denominations of \$5,000 or any multiple thereof and shall be numbered consecutively from one upwards. The Bonds shall be originally dated the Delivery Date shall mature and be payable on September 1 in the aggregate principal amounts for each of the several years, and shall bear interest at the rate or rates, as follows:

Year (September 1)	Principal Amount	Interest Rate
2014	\$ []	[]%
2015	[]	[]
2016	[]	[]
2017	[]	[]
2018	[]	[]
2019	[]	[]

Interest shall be payable with respect to each Bond on each Interest Payment Date, commencing September 1, 2014, until the principal sum of that Bond has been paid; provided, however, that if, at the maturity date of any Bond funds are available for the payment thereof, in full accordance with the terms of this Indenture, such Bond shall then cease to bear interest.

Section 2.05 Medium and Place of Payment. The Bonds shall be payable both as to principal and interest, in lawful money of the United States of America. The principal of the Bonds shall be payable upon presentation thereof at the office of the Trustee in St. Paul, Minnesota. Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as defined herein) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the Delivery Date; provided, however, that if at the time of authentication

of a Bond, interest is in default, interest on that Bond shall be payable from the last date to which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment, interest shall be payable from the Delivery Date. Interest on any Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Registrar mailed to such Bondowner by first class mail at his or her address as it appears on the Bond Register as of the Record Date; provided that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount of the Bonds, upon the Trustee's receipt of written request of such Owner prior to the Record Date accompanied by wire transfer instructions, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

Section 2.06 Appointment of Registrar. The Trustee is hereby appointed as Registrar for the Bonds. The District may change such appointment from time to time without the need for any amendment to this Indenture. The District hereby appoints the Trustee to authenticate and deliver the Bonds as provided herein and to hold all Bonds delivered to it pursuant to this Indenture in trust for the benefit of the respective Owners who shall have so delivered such Bonds until monies representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Owners, to hold all money delivered to it for the purchase of Bonds in trust for the benefit of the person or entity which shall have so delivered such money until the Bonds purchased with such money shall have been delivered to or for the account of such person or entity.

Section 2.07 Form of Bond. Subject to the provisions of this Indenture, the Bonds shall be issued in substantially the form set forth in Exhibit B attached hereto and herein incorporated, which is hereby approved and adopted as the form of the Bonds and of the certificate of authentication.

Section 2.08 Execution and Authentication. Pursuant to Section 5050 et seq. of the California Government Code, the President of the Board of Directors is hereby authorized and directed to sign all of the Bonds by his original or facsimile signature and the Secretary of the District is hereby authorized and directed to attest the Bonds by her original or facsimile signature and to affix thereto the original seal or facsimile seal of District. The Bonds shall be authenticated upon initial delivery and upon any transfer or exchange by manual signature of the Trustee. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed have been authenticated and delivered by the Trustee (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bond may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bond had not ceased to hold such offices.

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

Section 2.09 Bond Register. The Trustee will keep or cause to be kept at, its principal corporate trust office, the Bond Register for the registration and transfer of the Bonds which shall be available for inspection by the District during business hours with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall register or transfer or cause to be registered or transferred on said Bond Register Bonds as herein provided.

Section 2.10 Registration of Exchange or Transfer. The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate trust office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee and duly executed by the Bondowner or his or her duly authorized attorney. Bonds may be exchanged at the principal corporate trust office of the Registrar for a like aggregate principal amount and maturity of Bonds of other authorized denominations. The Trustee may charge a reasonable fee for any transfer or exchange and may charge the Bondowner any tax or other governmental charge required with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the Trustee shall execute and authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount and maturity.

Section 2.11 Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like tenor, date, maturity and amount in exchange and substitution for the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be destroyed and a certificate of destruction delivered to the District by the Trustee. If any Bond 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 if an indemnity satisfactory to the District and the Trustee shall be given, the Trustee shall authenticate and deliver a new Bond of like tenor and maturity, numbered and dated as the Trustee shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued under the provisions of this Section 2.11 in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby. The Trustee shall not treat both the original Bond(s) and any replacement Bond(s) as being outstanding for the purpose of determining the principal amount of Bonds for the purpose of determining any percentage of Bonds outstanding hereunder, but both the original and replacement Bond(s) shall be treated as one and the same. Notwithstanding any other provision of this Section 2.11, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bond upon receipt of an indemnity satisfactory to the Trustee.

ARTICLE III

BOOK-ENTRY PROVISIONS

Section 3.01 Book-Entry System: Limited Obligation of the District. The Bonds shall be initially issued in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial execution and delivery, the ownership of each such Bond shall be registered in the Bond Register kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.11 hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee.

With respect to the Bonds registered in the Bond Register in the name of the Nominee, neither the District or the Trustee shall have any responsibility or obligation to any brokerdealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository ("Participant") or to any person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the District nor the Trustee shall have any 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 the Bonds, (ii) the delivery to any Participant or any other person, other than an Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, or (iii) the payment to any Participant or any other person, other than an Owner of a Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds. The District and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever, the Trustee shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owner of a Bond, as shown in the Bond 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 and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Bond, as shown in the Bond Register, shall receive a Bond evidencing the obligation of the District to make payments of principal and interest pursuant to this Indenture. Upon delivery by the Depository to the Owners of the Bonds, the Trustee and the District 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 Date, the word Nominee in this Indenture shall refer to such nominee of the Depository.

Section 3.02 Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the District is executing and delivering to the Depository a representation letter (the "Representation Letter") in the form prescribed by the Depository. The execution and delivery of the Representation Letter shall not in any other way limit the provisions of this Section 3.02 or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners of the Bonds, as shown on the Bond Register. In addition to the execution and delivery of the Representation Letter, the District shall take such other actions, consistent with this Indenture, as are reasonably necessary to qualify the Bonds for the Depository's book-entry program.

Section 3.03 Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Depository shall no longer so act and gives notice to the District of such determination, 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 instruct the Trustee to prepare a new single, separate, fully registered Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names Owners of the Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.10, hereof, and the Trustee shall authenticate and deliver Bonds to the Owners thereof for such purposes.

In the event of a reduction in aggregate principal amount of Bonds Outstanding, DTC in its discretion, (a) may request the Trustee to authenticate and issue a new Bond, or (b) may make an appropriate notation on the Bond indicating the date and amounts of such reduction in principal, but in such event the records maintained by the Trustee shall be conclusive as to what amounts are outstanding on the Bond, except in the case of final maturity in which case the Bond must be presented to the Trustee prior to payment.

Section 3.04 Payments to the Nominee. Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository and agreed upon by the Trustee.

Section 3.05 Initial Depository and Nominee. The initial Depository under this Article III shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

ARTICLE IV

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Section 4.01 Funds and Accounts. The following funds and accounts are hereby created and established and shall be maintained by the Trustee for the administration and control of the proceeds of the sale of the Bonds and for such other purposes as described herein:

(1) Moulton Niguel Water District 2014 Consolidated Refunding Bonds, Bond Payment Fund (the "Bond Payment Fund") within which the Interest Account (the "Interest Account") and Principal Account (the "Principal Account") are established;

(2) Moulton Niguel Water District 2014 Consolidated Refunding Bonds, Costs of Issuance Fund (the "Costs of Issuance Fund"); and

(3) Moulton Niguel Water District 2014 Consolidated Refunding Bonds, Rebate Fund (the "Rebate Fund").

Section 4.02 Disposition of Bond Proceeds. The proceeds of the sale of the Bonds shall be received by the Trustee and deposited as follows:

(1) the sum of \$[] shall be deposited in the Costs of Issuance Fund; and

(2) the sum of \$[] shall be deposited in the Escrow Fund.

The Trustee may establish temporary funds or accounts to facilitate such deposits and transfer, at no additional charge to the District.

Section 4.03 Bond Payment Fund. On the Delivery Date, the District shall transfer and the Trustee shall deposit within the accounts of the Bond Payment Fund amounts from the general obligation bond funds previously established for the Prior Bonds of the Improvement Districts and held by the Treasurer, which amounts shall be the amounts determined sufficient by the Treasurer to pay principal of and interest on the Bonds when due, until the next available assessments for such purpose are scheduled to be received. The amounts so deposited shall correspond to each Improvement Districts' proportional share of the amount due on the September 1, 2014 Interest Payment Date, as set forth in Exhibit A hereto, and shall be in the following amounts:

Improvement District 6	\$[]
Improvement District 7	\$[]
TOTAL	\$[]

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Principal of and interest on the Bonds shall be paid from the transferred funds set forth above and from the sources provided for in Section 2.03 hereof as such amounts are transferred to the Trustee from time to time by the District. The Trustee shall transfer monies in the Bond Payment Fund to the accounts described below at the following respective times in the manner hereinafter provided, which accounts the Trustee hereby agrees to establish and maintain so long as this Indenture is not discharged in accordance with Article X hereof and each such account shall constitute a trust fund for the benefit of the Owners of the Bonds, and the money in each such account shall be disbursed only for the purposes and uses hereinafter authorized.

(a) One Business Day prior to each Interest Payment Date, the Trustee shall deposit in the Interest Account from monies in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account shall be sufficient to pay interest payable on the Outstanding Bonds on such Interest Payment Date. Monies in the Interest Account shall be used and withdrawn by the Trustee on each Interest Payment Date, solely for the payment of interest on the Outstanding Bonds.

(b) One Business Day prior to September 1, the Trustee shall deposit in the Principal Account from monies in the Bond Payment Fund an amount sufficient to pay the principal becoming due on each September 1. Monies in the Principal Account shall be used and withdrawn by the Trustee on each September 1, solely for the payment of the principal of Outstanding Bonds.

Section 4.04 Costs of Issuance Fund. On the Delivery Date, proceeds of the sale of the Bonds in the amount of \$[] shall be deposited by the Trustee in the Costs of Issuance Fund. The monies in such fund shall be applied exclusively for paying the Costs of Issuance. Any amounts remaining in the Costs of Issuance Fund on [], 2014 shall be transferred by the Trustee for deposit, first, to the Interest Account and, second, to the Principal Account of the Bond Payment Fund as directed in writing by the District and used to pay the interest and/or the principal due on the following Interest Payment Date.

Section 4.05 Escrow Fund. The amount of \$[] from proceeds of the Bonds shall be deposited in the Escrow Fund, which amount, together with the monies to be transferred as hereinafter provided in this Section 4.05, shall be sufficient to redeem the Prior Bonds on March 1, 2014, at the redemption price equal to 101% of the principal amount redeemed, plus accrued interest to the date of redemption, as shown on Exhibit D hereto.

There shall be transferred on the Delivery Date from the respective general obligation bond funds of the Prior Bonds of the Improvement Districts, to the Trustee for the above-described purposes, all amounts in the respective general obligation funds not required to be deposited to the Bond Payment Fund pursuant to Section 4.03 hereof, which shall equal the total amount of \$[]. The amount of proceeds to be so deposited and the amount of monies to be so transferred shall be determined and certified by the Treasurer, upon the advice of the Underwriter, on the Delivery Date.

Section 4.06 Rebate Fund.

(a) Establishment. The Trustee shall establish a Rebate Fund and shall maintain such fund for the Bonds. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds 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 4.06 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 shall be governed by this Section 4.06 and the Tax Certificate for such Bonds, unless and to the extent that the District delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding any other provision of this Indenture, the Trustee shall be deemed conclusively to have complied with this Section 4.06 and the Tax Certificate if it follows the directions set forth in any written directive of the District and shall be fully protected in so doing. The Trustee shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the District with the terms of this Section 4.06 or the Tax Certificate.

Rebate Requirements. The following requirements shall be satisfied with respect to the Rebate Fund:

(i) *Fifth Year Computation.* Within 55 days of the end of the fifth Bond Year and every fifth Bond Year thereafter, 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 Rebate Regulations, for this purpose treating the last day of the fifth Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations ("Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section 4.06.

(ii) *Payment to the U. S. Treasury.* The Trustee shall pay, as directed by written directive of the District, to the United States Treasury, out of amounts in the Rebate Fund:

(X) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage (as defined in the Tax Certificate) as set forth in a certificate of the District delivered to the Trustee calculated as of the end of such Bond Year; and

(Y) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage as set forth in a certificate of the District delivered to the Trustee calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, as set forth in a certificate of the District delivered to the Trustee computed in accordance with Section 148(f) of the Code.

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

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payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit with the Trustee 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)(l) shall be made to the Internal Revenue Service Center, Ogden, Utah 84207 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (which form shall be completed and provided by the District to the Trustee), or shall be made in such other manner as provided under the Code, in each case as specified in a written request of the District delivered to the Trustee.

(b) Disposition of Unexpended Funds. Any funds remaining in the accounts of the Rebate Fund for the Bonds after payment of the Bonds and the payments of all amounts described in subsection (a)(l)(ii), may be withdrawn by the Trustee upon written direction of the District and remitted to the District and utilized in any manner by the District.

(c) Survival if Defeasance. Notwithstanding anything in this Section 4.06 to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Bonds.

(d) Modification Upon Opinion of Counsel. Notwithstanding the foregoing, if the District shall obtain an opinion of Bond Counsel that any specified action under this Section 4.06 is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the Bonds, the District and the Trustee may conclusively rely on such opinion in complying with the requirements hereunder, and the terms of this Section 4.06 shall be deemed modified to that extent.

Section 4.07 Investments. The Trustee shall maintain separate books and records regarding the investment of monies in any of the funds or accounts established pursuant to this Indenture. Permitted Investments shall be deemed at all times to be a part of such funds or accounts. Any loss resulting from such Permitted Investments shall be charged to such funds or accounts. Subject to limitations as to maturities set forth below and any additional limitations or requirements established by the District and consistent with the foregoing, the Trustee shall invest the amounts on deposit in all funds or accounts in Permitted Investments as directed in writing by the District, which may be in the form of a facsimile confirmed promptly in writing by mail, subject to the following restrictions:

(a) Monies in the Costs of Issuance Fund shall be invested in Permitted Investments, which will by their terms mature as close as practicable to the date the District estimates the monies represented by the particular investment will be needed for withdrawal from such funds;

(b) Monies in the Bond Payment Fund shall be invested only in Permitted Investments which by their terms mature as close as practicable to the date the monies therein will be needed for withdrawal, so as to ensure the payment of principal and interest on the Bonds as the same become due; and

(c) Monies in the Rebate Fund shall be invested only in Government Obligations, which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States pursuant to Section 4.06 hereof.

Absent direction from the District, and subject to any limitations on investment yield or further investment restrictions set forth in this Indenture, the Trustee shall invest monies in any of the funds or accounts created by this Indenture Agreement solely in Permitted Investments described in clause (vi) of the definition thereof. The Trustee shall sell any Permitted Investments so purchased whenever it may be necessary to do so in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, such investments. For the purpose of determining at any given time the balance in any such fund or account, any Permitted Investments constituting a part of such funds or accounts shall be valued by the Trustee at the lower of cost or par value. Subject to Section 7.02, the Trustee will not be responsible for any loss from any investment authorized pursuant to this Indenture. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District will not receive such confirmations to the extent permitted by law, provided upon District's request, the Trustee shall provide copies of all such confirmations to District. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

Section 4.08 Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 4.08, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments will be valued at their present value (within the meaning of section 148 of the Code).

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ARTICLE V

REDEMPTION OF BONDS

Section 5.01 No Redemption of Bonds. The Bonds are not subject to redemption prior to their stated maturities.

ARTICLE VI

COVENANTS AND WARRANTY

Section 6.01 Warranty. The District shall preserve and protect the security of the Bonds and the rights of the Bondowners and warrant and defend their rights against all claims and demands of all persons.

Section 6.02 Covenants. So long as any of the Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of this Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds and tend to make them more marketable:

Covenant 1. Collection of Assessments: General Obligation Bond Fund. To the extent necessary to pay principal of and interest on the Principal Amount Allocation for each Improvement District, the District shall (a) impose and collect or cause the imposition and collection of ad valorem assessments on land in the Improvement Districts, and (b) pursue any remedy available to collect, or cause the collection of, delinquent ad valorem assessments and apply amounts realized from the sale of any property for delinquent ad valorem assessments for such purpose.

There is hereby established and created a fund in the treasury of the District to be designated "Moulton Niguel Water District 2014 Consolidated Refunding Bonds, General Obligation Bond Fund" (the "General Obligation Bond Fund"), together with an account within such fund for each Improvement District, which the District agrees to maintain as long as this Indenture is not discharged in accordance with Article X hereof. The assessments levied upon and collected within any Improvement District shall not exceed the amount required to pay such Improvement District's Principal Amount Allocation, premium, if any, and interest thereon. Monies raised by each Improvement District for this purpose shall be deposited to the Improvement District's account within the General Obligation Bond Fund and shall be used solely for the purpose of paying such Improvement District's Principal Amount Allocation, premium, if any, and interest thereon. Additionally, the District may, but is not obligated to, deposit other available monies in such fund and such monies shall be apportioned to each Improvement District account within the fund according to each Improvement District's Principal Amount Allocation. Except as provided below, the District shall transfer from the General Obligation Bond Fund to the Trustee for deposit in the Bond Payment Fund monies at such times and in such amounts as are sufficient for the Trustee to make the transfers from the Bond Payment Fund as provided in this Indenture

Covenant 2. Punctual Payment. The District covenants that it shall duly and punctually pay or cause to be paid the principal of and interest on every Bond issued hereunder, on the date, at the place and in the manner stated in the Bonds and in accordance with this Indenture and that payments into the General Obligation Bond Fund shall be made, all in strict conformity with the terms of said Bonds and this Indenture but only from the sources available therefor under this Indenture. The District shall provide the Trustee sufficient monies to enable the Trustee to make

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all payments of principal, premium, if any, and interest on the Bonds as provided in this Indenture and the Bonds. The principal of and interest on the Bonds are payable solely from the revenues described in Section 2.03 hereof and amounts in the General Obligation Bond Fund and the Bond Payment Fund hereof. The District further covenants that it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all amendments and supplements hereto and of the Bonds issued hereunder, and that time of such payment and performance is of the essence of the District's contract with the Bondowners.

Covenant 3. Segregation of Proceeds. The District specifically covenants to segregate the proceeds from the sale of the Bonds and any investment earnings thereon from other monies of the District, whether such proceeds are held in the treasury of the District or by the Trustee hereunder.

Covenant 4. Tax Covenants.

(a) Private Activity Bond Limitation. The District will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The District will take any and all actions necessary to assure compliance with each of section 148(f) of the Code and Section 4.06 hereof, to the extent applicable to the Bonds, relating to the rebate of excess investment earnings, if any, to the federal government.

(d) No Arbitrage. The District will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The District will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(f) Record Retention. The District will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature.

(g) Compliance with Tax Certificate. The District will comply with the provisions of the Tax Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The subsections of this Covenant 4 will survive payment in full or defeasance of the Bonds.

Covenant 5. Further Assurances. The District shall adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the obligations and covenants under this Indenture, and for better assuring and confirming unto the Owners of the rights and benefits provided in this Indenture.

Section 6.03. Continuing Disclosure Covenant. The District hereby covenants and agrees that it shall comply with and carry out all of its obligations under the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the District to comply with its obligations under the Continuing Disclosure Certificate shall not be considered an event of default under this Indenture, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Certificate, shall be an action to compel performance thereof. The Trustee shall, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds and upon receipt of reasonable indemnification acceptable to it, or any Bondowner 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 Covenant. For purposes of this Section 6.03, "Beneficial Owners" 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 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Bonds for federal income tax purposes.

ARTICLE VII

EVENTS OF DEFAULT, REMEDIES

Section 7.01. Events of Default. Any one or more of the following events shall constitute an "event of default":

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, at maturity as therein expressed;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Default by the District in the observance of any of the other agreements, conditions or covenants on its part in this Indenture or in the Bonds, and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Trustee; provided, if within 30 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated; and further provided, any noncompliance with the terms of Section 8.03 of this Indenture shall not be an event of default under this Article VII.

Section 7.02. Remedies of Owners. Following the occurrence of an event of default, any

Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Indenture ;

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

(c) upon the happening of an event of default (as defined in Section 7.01), by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in this Article VII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the amounts pledged for such payment under Section 2.03 hereof, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in this Indenture.

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

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

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at 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 Act or any other law.

ARTICLE VIII

TRUSTEE

Section 8.01. Employment and Duties of the Trustee. The District hereby appoints and employs the Trustee to perform the obligations of the Trustee contained herein, all in the manner provided herein and subject to the conditions and terms hereof.

Section 8.02. Removal and Resignation of the Trustee. The Trustee may resign by giving 60 days prior written notice to the District and the Bondowners at the address shown on the Bond Register, subject to the conditions set forth below. The Owners of a majority in principal amount of the Outstanding Bonds may (except during the continuance of an event of default) remove the Trustee by notifying the Trustee and may appoint a successor Trustee with the consent of the District. The District may remove the Trustee at any time with 30 days prior written notice (except during the continuance of an event of default); provided, the District shall remove the Trustee by notifying the Trustee if (a) the Trustee fails to comply with the penultimate sentence of the first paragraph of this Section 8.02, (b) the Trustee is adjudged a bankrupt or an insolvent, (c) a receiver or other public officer takes charge of the Trustee or its property or (d) the Trustee otherwise becomes incapable of acting, as determined by the District. Upon any such removal or resignation, the District shall promptly appoint a successor Trustee by an instrument in writing, which successor Trustee shall give notice of such appointment to all Owners as soon as practicable; provided that in the event the District does not appoint a successor Trustee within 60 days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a bank, national banking association or trust company doing business and having a principal corporate trust office in either New York, New York or Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by state or national authorities. If such bank, national banking association 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 8.02 the combined capital and surplus of such bank, national banking association 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.

Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee and the transfer by the retiring Trustee to the successor Trustee of all property held by it hereunder as Trustee.

Section 8.03. Compensation and Indemnification of the Trustee. The District shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee compensation for its services and reimburse the Trustee for all its advances and expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants, counsels or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds

established hereunder, although the Trustee may take whatever legal actions are available to it directly against the District to recover such compensation or reimbursement.

To the extent permitted by law, the District does hereby assume liability for, and agrees to indemnify and hold harmless the Trustee from and against any and all claims, damages and losses (including legal fees and expenses) arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the works of improvement within the Improvement Districts, (ii) any act of negligence of the District or of any of its agents, contractors, employees, invitees, licensees, officers or supervisors in connection with the works of improvement within the Improvement Districts, or (iii) the payment of any costs or expenses of the acquisition and construction of the works of improvement within the Improvement Districts; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The District also agrees to indemnify the Trustee for, and to hold it harmless against, any losses, liabilities or expenses incurred by the Trustee without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of its duties hereunder, as well as the costs and expenses of enforcing this Indenture against the District and defending itself against any claim (whether asserted by the District or an Owner and whether or not litigation is commenced) or liability in accordance with the exercise or performance in the absence of negligence or willful misconduct of any of its powers or duties hereunder. The failure of the Trustee to notify the District shall not relieve the District of its obligations hereunder. The obligations under this Section 8.03 shall survive the termination and discharge of this Indenture.

Section 8.04. Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, indenture, statement, telegram, voucher, waiver 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 hereof, 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 may consult with its counsel with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in the absence of negligence or willful misconduct.

Whenever in the observance or performance of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

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The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if it were not a party hereto. 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 agent, depository or trustee for any committee or body of Owners or of Owners of obligations of the District as freely as if it were not the Trustee hereunder.

The Trustee may act through agents or co-trustees (which co-trustees, if any, shall be approved by the District) and shall not be responsible for the misconduct or negligence of any agent or co-trustee appointed with due care.

The Trustee shall not be liable for any action it takes or omits to take in good faith without negligence which it believes to be authorized or within its rights or powers.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Bonds or compliance with any federal or state securities laws, shall not be accountable for the District's covenants and representations contained in this Indenture or the recitals made herein which are made by the District solely, and shall not be responsible for any statement in the Bonds other than its certificate of authentication. The Trustee makes no representations with respect to any information, statement, or recital in, and shall have no liability with respect to, any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Section 8.05. Duties of Trustee.

(a) If an event of default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an event of default,

(1) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee, and

(2) In the absence of negligence or willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine these certificates and opinions to determine whether such documents conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 8.05,

(2) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts,

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

(d) Whether or not therein expressly provided, every provision of this Indenture that in any way relates to the Trustee is subject to all the foregoing paragraphs of this Section 8.05.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it (in its sole opinion) against any loss, liability or expense, but the Trustee shall not require indemnity as a condition to or making payment on the Bonds.

(f) The Trustee shall not be liable for interest on any cash held by it except as provided by Section 4.07 hereof and as the Trustee may otherwise agree with the District.

(g) The permissive right of the Trustee to act hereunder shall not be construed as a duty.

(h) The Trustee shall not be deemed to have knowledge of an event of default hereunder unless it shall have actual knowledge at its corporate trust office.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(j) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds Outstanding relating to the exercise of any rights, power or remedy available to the Trustee.

(k) The Trustee may become the owner or pledgee of Bonds with the same rights it would have if it were not Trustee.

Section 8.06. Notice of Defaults. If an event occurs which, with the giving of notice or lapse of time, or both, would be an event of default, and if the event is continuing and if it is known to the Trustee, the Trustee shall mail to each Owner notice of the event within 90 days after it occurs. Except in the case of a payment default, the Trustee may withhold the notice if and so long as a committee of its officers in good faith determines that withholding the notice is in the interest of the Owners.

#6.

Section 8.07. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

ARTICLE IX

AMENDMENTS AND SUPPLEMENTS

Section 9.01 Amendment. The District may amend or supplement this Indenture without notice to or consent of any Bondowner

- (a) to cure any ambiguity, inconsistency or formal defect or omission,
- (b) to grant to or confer upon the Bondowner any additional rights, remedies, powers, authority or security that may lawfully be so granted or conferred,
- (c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds, or
- (d) for any other reason, provided that such modification or amendment does not adversely affect the interests of the Owners in the Bonds.

If an amendment of or supplement to this Indenture or the Bonds is not permitted by any of the preceding sections (a), (b) or (c) of this Section 9.01, the District may make such amendment or supplement with the consent of the Owners of at least a majority in principal amount of the Bonds then Outstanding. However, without the consent of each Bondowner affected, no amendment or supplement may (a) extend the maturity, or date for payment of the principal of, or interest on, any Bond, (b) reduce the principal amount of, or the rate of interest on any Bonds, (c) effect a privilege, or priority of any Bond or Bonds over any other Bond or Bonds, or (d) reduce the percentage of the principal amount of the Bonds required for consent to any amendment or supplement. In addition, if cash or Government Obligations have been deposited or set aside with a financial institution pursuant to Article X of this Indenture for the payment of the Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of that Section shall be made without the consent of the Owner of each of those Bonds affected.

After an amendment or supplement becomes effective, it shall bind every Bondowner unless it makes a change described in any of the lettered clauses of the preceding paragraph. In that case, the amendment or supplement will bind each Bondowner who consented to it and each subsequent Owner of a Bond or portion of a Bond evidencing the same debt as the consenting Owner's Bond.

If an amendment or supplement changes the terms of a Bond, the Trustee may require the Owner to deliver it to the Trustee. The Trustee may place an appropriate notation on the Bond about the changed terms and return it to the Owner. Alternatively, if the Trustee and the District determine, the District, in exchange for the Bond, will issue and the Trustee will authenticate a new Bond that reflects the changed terms.

The Trustee shall notify each Bondowner by first class mail of the execution of each supplement or amendment to this Indenture. The notice shall state briefly the nature of such supplement or amendment and that copies of the amendment or supplement are on file with the

#6.

Trustee for inspection by the Bondowners. Copies of all amendments and supplements to this Indenture shall be sent by the District to the Rating Agencies.

ARTICLE X

DEFEASANCE

Section 10.01 Defeasance. Any Bond shall be deemed paid and no longer Outstanding for all purposes of this Indenture when payment of the principal of and the interest and premium, if any, on any Bond to the due date of such principal and interest (whether at maturity or otherwise) either (1) has been made by the District in accordance with the terms of the Bonds or (2) has been provided for by the District by depositing with a financial institution (i) cash sufficient to make such payment and/or (ii) to the extent permitted by law, direct, noncallable Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient monies to make such payments.

When a Bond is deemed paid, it shall no longer be secured by or entitled to the benefits of this Indenture or be an obligation of the District, except for payment from such cash or Government Obligations and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in the Bond. Notwithstanding the foregoing, when a Bond is deemed paid the District shall be and remain obligated to comply with all covenants contained in Covenant 4 of Section 6.02 of this Indenture with respect to any such Bond.

Section 10.02 Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest, principal or premium, if any, of any Bonds which remains unclaimed for two years after the date when the payments on such Bonds have become payable, if such money was held by the Trustee on such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such payments on the Bonds have become payable, shall be repaid by the Trustee to the District as District's 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 or principal on such Bonds; provided that before being required to make any such payment to the District, the Trustee shall, at the expense of the District, give notice by mail to the Owners of such Bonds that such money remains unclaimed and that after a date named in such notice, which date shall not be less than 60 days after the date of giving such notice, the Trustee shall promptly remit the balance of such money then unclaimed to the District.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person other than the District, the Trustee and the Bondowners, any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Trustee and the Bondowners.

Section 11.02 Severability. If any covenant, agreement or provisions, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement, or provisions, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Indenture and the Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the Indenture and the Constitution and laws of the State.

Section 11.03 Notices. All written notices to be given hereunder to any Notice Party shall be given by first-class mail, postage prepaid to the party or parties entitled thereto at the address set forth below, or at such other address as may be provided to the other parties hereinafter listed in writing from time to time, namely:

If to the Trustee: U.S. Bank Corporate Trust Services
633 West Fifth Street, 24th floor
Los Angeles, California 90071
Attention: Linda Verstuyft

If to the District: Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92656
Attention: Treasurer

Section 11.04 Notices to Rating Agencies. The Trustee shall give immediate notice to the Rating Agencies in the event:

- (a) the Trustee or resigns or is replaced; or
- (b) this Indenture is amended or supplemented.

Section 11.05 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," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular articles, section, subdivision or clause thereof.

Section 11.06 Waiver of Personal Liability. No director, officer or employee of District shall be individually or personally liable for the payment of the principal or interest on the Bonds, but nothing contained herein shall relieve any director, officer or employee of District from the performance of any official duty provided by any applicable provision of law or hereby.

Section 11.07 California Law. This Indenture shall be construed and governed in accordance with the laws of the State.

Section 11.08 Effective Date. This Indenture shall take effect upon its execution.

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IN WITNESS WHEREOF, the parties have entered into this Indenture as of the date first written above.

MOULTON NIGUEL WATER DISTRICT

President,
Moulton Niguel Water District and of the
Board of Directors thereof

Secretary, Moulton Niguel Water District of
the Board of Directors thereof

U. S. BANK NATIONAL ASSOCIATION,
as Trustee

Authorized Officer

EXHIBIT A
DEBT SERVICE SCHEDULE ALLOCATION AMONG
IMPROVEMENT DISTRICTS

[to come]

EXHIBIT B

REGISTERED
No.-SPECIMEN-

REGISTERED
- SPECIMEN -

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF ORANGE

[FORM OF] BOND OF MOULTON NIGUEL WATER DISTRICT
2014 CONSOLIDATED REFUNDING BONDS

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP No.</u>
%	September 1, 20__	February [28], 2014	

Registered Owner: CEDE & CO.

PRINCIPAL AMOUNT: - *SPECIMEN* - DOLLARS

MOULTON NIGUEL WATER DISTRICT, situated in the County of Orange, State of California, duly organized and existing under and by virtue of the California Water District Law, Division 13 of the Water Code of the State of California, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources described in this Bond, to the Registered Owner named above, or registered assigns, upon presentation and surrender hereof, the above-specified Principal Amount on the Maturity Date specified above, and to pay interest on such Principal Amount, calculated on the basis of a 360-day year comprised of twelve 30-day months, semi-annually on March 1 and September 1 of each year, commencing September 1, 2014, at the Interest Rate specified above, until the Principal Amount hereof is paid or made available for payment. Interest shall be payable on this Bond from the Interest Payment Date next preceding the date of authentication hereof, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as defined herein) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from February [28], 2014; provided, however, that if at the time of authentication of this Bond, interest is in default, interest on this Bond shall be payable from the last date on which the interest has been paid or made available for payment or if no interest has been paid or made available for payment, interest shall be payable from February [28], 2014.

The principal of and premium, if any, on this Bond are payable to the Registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Corporate Trust Office of U.S. Bank National Association (the "Trustee "). Interest on this Bond shall be paid by check of the Trustee mailed by first class mail by the Trustee to the Registered Owner hereof as of the 15th day of the calendar month preceding the Interest Payment Date whether or not such date is a Business Day (the "Record Date") at such Registered Owner's address as it appears on the Bond Register maintained by the Trustee ; provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal

amount of the Bonds, upon the Trustee's receipt of written request of such Registered Owner prior to the Record Date accompanied by wire transfer instructions, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

This Bond is one of the Moulton Niguel Water District, 2014 Consolidated Refunding Bonds ("Bonds"), limited to \$[] in principal amount, issued under Resolution No. [] adopted by the Board of Directors on [], 20[] ("Resolution"), and the Indenture of Trust, dated as of February 1, 2014 ("Indenture"), between Moulton Niguel Water District ("District") and Trustee for the purpose of refunding the "Moulton Niguel Water District 2003 Consolidated Refunding Bonds" in the outstanding principal amount of \$[] and paying costs of issuing the Bonds. The terms of the Resolution and the Indenture are incorporated herein and together with each Bond shall constitute the contract between the District and the Owner of such Bond, and reference is hereby made to the Resolution, the Indenture and each Bond for a complete statement of such contract. Capitalized terms used herein and not defined shall have the meanings given to them in the Indenture. By acceptance hereof the owner of this Bond assents to said terms and condition.

This Bond is issued on behalf of, and constitutes the consolidated several general obligations, in the amounts ("Principal Amount Allocation") and the percentages ("Principal Allocation Percentage") of the total par value of the Bonds set forth below, of Improvement District Nos. 6 and 7 of the District (Improvement Districts):

Improvement District No.	Principal Amount Allocation (of Total Par Value)	Principal Allocation Percentage (of Total Par Value)
6	\$[]	[]%
7	[]	[]
	\$[]	[]%

Each Improvement District is obligated for payments with respect to its Principal Amount Allocation of Bonds. The Principal Amount Allocation for any Improvement District shall be adjusted pursuant to calculations made by the District and delivered to the Trustee. The Principal Allocation Percentage for each Improvement District shall also be adjusted pursuant to calculations made by the District and delivered to the Trustee.

Pursuant to the Resolution and the Indenture, the Bonds shall be payable from the following sources: (1) ad valorem assessments on taxable land in the Improvement Districts, (2) proceeds from the sale of property in the Improvement Districts for delinquent assessments, all such amounts referred to in clauses (1) and (2) to be collected from within each Improvement District and applied by the District to pay each Improvement District's Principal Amount Allocation, premium, if any, and interest thereon and (3) all monies and earnings thereon in the funds or accounts created under the terms of the Indenture (except the Costs of Issuance Fund and the Rebate Fund). Any assessment for the payment of the Bonds, or interest or premium thereon, shall be limited to annual assessments to be levied upon and collected from the taxable lands within the Improvement Districts, and proceeds from the sale of property in the Improvement Districts for delinquent assessments.

#6.

THIS BOND SHALL NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE MOULTON NIGUEL WATER DISTRICT WITH RESPECT TO THE IMPROVEMENT DISTRICTS.

This Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the District and the Trustee may treat the Registered Owner hereof as the absolute Owner for all purposes and shall not be affected by any notice to the contrary.

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple of \$5,000 and may be exchanged for a like aggregate Principal Amount Allocation of Bonds of other authorized denominations, and of like maturity all as more fully set forth in the Indenture. This Bond is transferable by the Registered Owner hereof, in person or by the Registered Owner's attorney duly authorized in writing, at the office of the Trustee in Los Angeles, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond or Bonds of authorized denomination or denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange.

The Trustee may require the Registered Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Indenture provides that the occurrence of certain events constitute events of default and prescribes the remedies available to the Bond owners. An event of default and its consequences may be waived or limited as provided in the Indenture. Bond owners may enforce their rights under the terms and conditions of the Indenture.

The Indenture contains provisions permitting the District to make provisions for the payment of the interest on, and the principal and premium, if any, of any of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Indenture.

The rights and obligations of the District, the Trustee and the Owners of the Bonds may be amended at any time, and in certain cases without the consent of the Owners to the extent and upon the terms and conditions provided in the Indenture.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of said Moulton Niguel Water District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the Moulton Niguel Water District has caused this Bond to be dated as of February [28], 2014, to be signed by the President of the Board of Directors of said District by his original signature and attested by the Secretary of said District by her original signature and the District seal to be hereunto affixed.

ATTEST.

MOULTON NIGUEL WATER DISTRICT

Secretary of the Moulton Niguel Water District and the Board of Directors thereof

President of the Moulton Niguel Water District and the Board of Directors thereof

[District SEAL]

#6.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds referred to in the within-mentioned Indenture.

Date of Registration and Authentication: _____

U.S. BANK NATIONAL ASSOCIATION,
Trustee

Authorized Representative

[FORM OF] ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(print/type name, address, zip code, tax identification or Social Security number of assignee)

the within Bond and irrevocably constitutes and appoints _____ attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Registered Owner

Date: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

NOTICE: Signature must be guaranteed by an eligible guarantor institution.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co., or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the Registered Owner hereof, Cede & Co., has an interest herein.

EXHIBIT C

PAYMENT REQUEST FORM - COSTS OF ISSUANCE FUND

[Attach duplicate original of Payee's statement(s) or invoice(s)]

()
()

PROGRESS PAYMENT
FULL/FINAL PAYMENT

The Trustee is hereby requested to pay from the Costs of Issuance Fund, as established by Resolution No. [] of the District, adopted on [], 20[], and the Indenture of Trust dated as of February 1, 2014, executed in accordance therewith, to the person, corporation, or other entity designated below as Payee, the sum set forth below such designation, in payment or reimbursement of the Costs of Issuance described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Costs of Issuance described below and has not formed the basis of any prior request for payment.

Payee: _____

Address: _____

Amount: \$ _____

Description of Cost of Issuance or portion thereof accepted by the Moulton Niguel Water District and authorized to be paid to the Payee:

Cost of Issuance: _____

Executed by Authorized Representative for
Moulton Niguel Water District:

Signature: _____

Name: _____

Title: _____

Dated: _____

Payment Request No.: _____

EXHIBIT D
REDEMPTION SCHEDULE FOR PRIOR BONDS
[to come]

NEW ISSUE-FULL-BOOK ENTRY

RATINGS:

Standard & Poor's " _ "

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "CONCLUDING INFORMATION — Tax Matters."

\$[]*
**MOULTON NIGUEL WATER DISTRICT
2014 CONSOLIDATED REFUNDING BONDS**

Dated: Date of Delivery

Due: September 1, as shown below

The Moulton Niguel Water District 2014 Consolidated Refunding Bonds (the "Bonds") are being issued by the Moulton Niguel Water District (the "District") pursuant to the Indenture of Trust, dated as of February 1, 2014 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are being issued to (a) refund the Moulton Niguel Water District 2003 Consolidated Refunding Bonds, presently outstanding in the aggregate principal amount of \$22,540,000, and (b) pay costs of issuing the Bonds.

The Bonds constitute the consolidated several obligations of Improvement District No. 6 of the District and Improvement District No. 7 of the District (each an "Improvement District" and, together, the "Improvement Districts"). The Bonds are payable from the following sources in an amount proportionate to the principal amount of Bonds allocated to Improvement District No. 6 (\$[]) and Improvement District No. 7 (\$[]): (a) ad valorem assessments on taxable land in the Improvement Districts, (b) proceeds from the sale of property in the Improvement Districts for delinquent assessments, and (c) all monies and earnings thereon held in the funds or accounts created under the terms of the Indenture (except the Costs of Issuance and the Rebate Fund). **The obligation for repayment of the Bonds issued on behalf of the Improvement Districts is secured in each instance by the power of the District to levy (on the County property tax bill) and collect ad valorem assessments within such Improvement District without limitation as to rate or amount on land only. The Bonds are several, and not joint, obligations of the Improvement Districts. Amounts collected in one Improvement District will not be available to pay the other Improvement District's share of payments on the Bonds.**

The Bonds are being issued in fully registered book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Individual purchases will be in principal amounts of \$5,000 or in any integral multiple thereof. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See Appendix D — "Book-Entry Only System."

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2014. The Record Date is the 15th day of the calendar month preceding each Interest Payment Date.

The Bonds are not subject to redemption prior to their stated maturity dates.

This cover page contains certain information for general reference only. It is not a summary of this financing. Prospective investors are advised to read the entire Official Statement and all documents to obtain information essential to making an informed decision.

**MATURITY SCHEDULE
(see inside cover)**

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT ON BEHALF OF THE IMPROVEMENT DISTRICTS.

The Bonds are offered when as and if issued, subject to approval as to legality by Jones Hall, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall is also acting as disclosure counsel to the District. Certain legal matters will be passed upon for the District by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as District counsel, and for the Underwriter by its counsel, Fulbright & Jaworski LLP, a member of Norton, Rose, Fulbright, Los Angeles, California. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC, on or about February [], 2014.

Stifel

Dated. [], 2014

* Preliminary; subject to change.

MATURITY SCHEDULE

\$ _____ *
**MOULTON NIGUEL WATER DISTRICT
2014 CONSOLIDATED REFUNDING BONDS**

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	CUSIP ^Ψ No. []
2014				
2015				
2015				
2016				
2017				
2018				
2019				

- Preliminary; subject to change.

Ψ Copyright 2014, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

MOULTON NIGUEL WATER DISTRICT

Board of Directors

Larry McKenney, *President*
Donald Froelich, *Vice-President*
Brian Probolsky, *Vice-President*
Scott F. Colton
Richard S. Fiore
Gary R. Kurtz
Lawrence R. Lizotte

District Staff

Joone Lopez, *General Manager*
Matt Collings, *Assistant General Manager/Acting Treasurer*
Ruby Yuen, *Controller*
Marc Serna, *Director of Engineering & Operations*

District Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor

Public Financial Management
Los Angeles, California

Trustee

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the District or the Improvement Districts since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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 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.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. 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," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The District maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

#6.

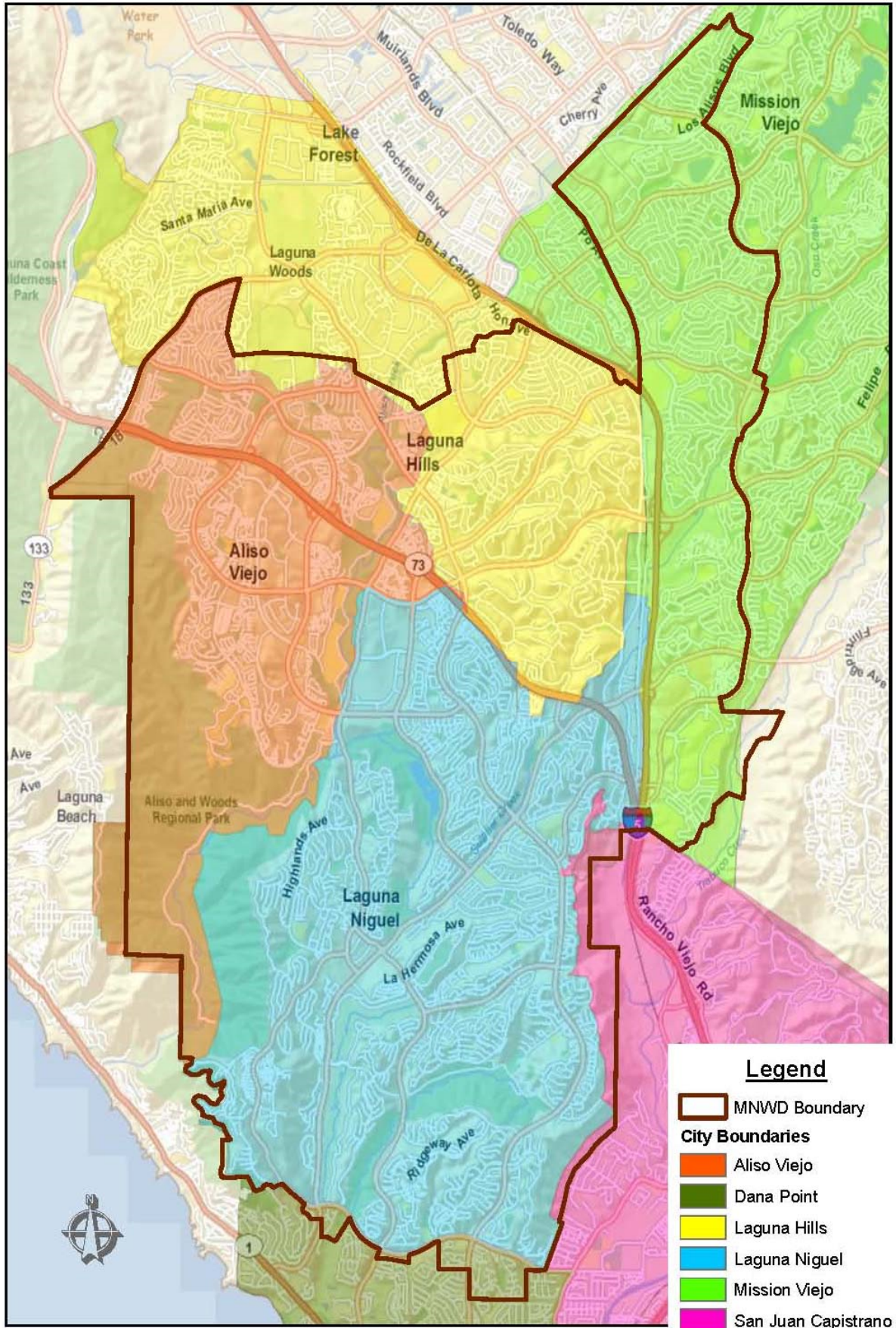


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OFFICIAL STATEMENT

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MOULTON NIGUEL WATER DISTRICT
2014 CONSOLIDATED REFUNDING BONDS

INTRODUCTION

The purpose of this Official Statement, including the cover, table of contents and the Appendices, is to provide certain information concerning the issuance and sale by the Moulton Niguel Water District (the "**District**") of the Moulton Niguel Water District 2014 Consolidated Refunding Bonds (the "**Bonds**"). The Bonds are being issued by the District pursuant to the Indenture of Trust, dated as of February 1, 2014 (the "**Indenture**"), by and between the District and U.S. Bank National Association (the "**Trustee**"). Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture.

The Bonds constitute the consolidated several obligations of Improvement District No. 6 of the District ("**Improvement District No. 6**") and Improvement District No. 7 of the District ("**Improvement District No. 7**," and together with Improvement District No. 6, the "**Improvement Districts**"). The Bonds are payable from the following sources in an amount proportionate to the principal amount of Bonds allocated to Improvement District No. 6 (\$[]) and Improvement District No. 7 (\$[]): (a) ad valorem assessments on taxable land in the Improvement Districts, (b) proceeds from the sale of property in the Improvement Districts for delinquent assessments, and (c) all monies and earnings thereon held in the funds or accounts created under the terms of the Indenture (except the Costs of Issuance Fund and the Rebate Fund). ***The obligation for repayment of the Bonds issued on behalf of the Improvement Districts is secured in each instance by the power of the District to levy (on the County property tax bill) and collect ad valorem assessments within such Improvement District without limitation as to rate or amount on land only. The Bonds are several, and not joint, obligations of the Improvement Districts. Amounts collected in one Improvement District will not be available to pay the other Improvement District's share of payments on the Bonds.*** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and will be dated as of and bear interest from the date of delivery, at the rates set forth on the inside cover page. See "THE BONDS."

The Bonds are being issued to (a) refund the Moulton Niguel Water District 2003 Consolidated Refunding Bonds, presently outstanding in the aggregate principal amount of \$22,540,000 (the "**Refunded Bonds**"), and (b) pay costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING."

The District was established in November, 1960 under provisions of the California Water District Law, Division 13 of the California Water Code (the "**Act**"). Located in southwestern Orange County approximately 16 miles southeast of Santa Ana and 50 miles southeast of Los

* Preliminary; subject to change.

Angeles, the District encompasses approximately 36.5 square miles, and includes the cities of Aliso Viejo and Laguna Niguel and portions of the cities of Mission Viejo, Laguna Hills and Dana Point.

The Bonds do not constitute an obligation of the State of California (the "State") or any political subdivision of the State of California other than the District on behalf of the Improvement Districts.

Brief descriptions of the Bonds, the Indenture, the security for the Bonds, the District, and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Indenture and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Indenture and other documents. Copies of such documents may be obtained from the District, 27500 La Paz Road, Laguna Niguel, California 92677.

THE BONDS

Authority for Issuance

The Bonds are issued as the consolidated several general obligations of the Improvement Districts to refund the Refunded Bonds pursuant to Sections 36060 et seq. and Sections 36447 et seq. of the Act, Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and the Indenture.

General

The Bonds will be issued in book-entry form and The Depository Trust Company, New York, New York ("**DTC**"), will act as securities depository for the Bonds. So long as the Bonds are held in book-entry form, principal of, premium, if any, and interest on the Bonds will be paid directly to DTC for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC. See Appendix D - "Book-Entry Only System."

The Bonds will mature on September 1 in the principal amounts and years as shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated as of and bear interest from their initial date of delivery. The Bonds will bear interest at the rates per annum set forth on the inside cover page, payable semiannually on March 1 and September 1 of each year, commencing September 1, 2014 (each such date, an "**Interest Payment Date**"). The record date is the 15th day of the calendar month preceding each Interest Payment Date, whether or not such day is a Business Day (each such date, a "**Record Date**").

Each Bond will bear interest from the first Interest Payment Date following its date of authentication, unless (a) the date of authentication is an Interest Payment Date, in which interest shall be payable from such date of authentication, (b) the Bond is authenticated between a Record Date (15 days prior to each Interest Payment Date) and the next following Interest Payment Date, in which event the Bond will bear interest from such Interest Payment Date, or (c) the Bond is authenticated on or prior to August 15, 2014, in which event such Bond will bear interest from the initial date of delivery of the Bonds; provided, if at the time of the authentication of a Bond, interest is in default, interest on that Bond will be payable from the last date to which the interest has been paid, or made available for payment, or if no interest has been paid or made available for payment, interest will be payable from the initial date of delivery of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, principal and interest payments with respect thereto will be made as described in Appendix D - "Book-Entry Only System."

No Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Transfer and Exchange of Bonds

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds will be accomplished in accordance with the provisions of such book-entry system. In the event and only in the event of termination of such book-entry system with respect to the Bonds, the Bonds may be transferred and exchanged in accordance with the terms of the Indenture. See Appendix B - "Summary of Indenture" and Appendix D - "Book-Entry Only System."

Debt Service Schedule

The following table shows the annual debt service schedule for the Bonds.

Bond Year Ending September 1	Principal	Interest	Total Debt Service
2014			
2015			
2016			
2017			
2018			
2019			

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SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are set forth in the following table:

Sources of Funds

Principal Amount of the Bonds	\$
<i>Plus:</i> Net Original Issue Premium/ <i>Less:</i> Original Issue Discount	
Funds Related to the Refunded Bonds ⁽¹⁾	_____
Total Sources	

Uses of Funds

Escrow Fund ⁽²⁾	\$
Costs of Issuance Fund	
Underwriter's Discount	

Total Uses

- (1) From the General Obligation Bond Fund established for the Refunded Bonds.
(2) To be applied to refund the outstanding Refunded Bonds. See "PLAN OF REFUNDING."

PLAN OF REFUNDING

A portion of the proceeds of the sale of the Bonds and certain funds transferred from the General Obligation Bond Fund established for the Refunded Bonds will be deposited into an escrow fund held by the Trustee under the Indenture (the "**Escrow Fund**"). Monies held in the Escrow Fund will be used to redeem all outstanding Refunded Bonds on March 1, 2014, to pay a redemption premium of 1% of the principal amount of Refunded Bonds redeemed and to pay all interest due with respect to the Refunded Bonds to and including March 1, 2014.

The PFM Group will verify that the monies held in the Escrow Fund, will be sufficient, without investment, to make the payments of principal, interest and redemption premium with respect to the Refunded Bonds. Monies in the Escrow Fund will be held uninvested.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from the following sources in an amount proportionate to the principal amount of Bonds allocated to each Improvement District: (a) ad valorem assessments on taxable land in the Improvement Districts, (b) proceeds from the sale of property in the Improvement Districts for delinquent assessments, and (c) all monies and earnings thereon held in the funds or accounts created under the terms of the Indenture (except the Costs of Issuance Fund and the Rebate Fund). The obligation for repayment of the Bonds issued on behalf of the Improvement Districts is secured in each instance by the power of the District to levy (on the County property tax bill) and collect ad valorem assessments within such Improvement District without limitation as to rate or amount on land only. The Bonds are several, and not joint, obligations of the Improvement Districts. Amounts collected in one Improvement District will not be available to pay the other Improvement District's share of payments on the Bonds.

The Bonds are issued on behalf of, and constitute the consolidated several general obligations of the Improvement Districts, and are allocated between the Improvement Districts in the amounts (the "Principal Amount Allocation") and the percentages (the "Principal Allocation Percentages") set forth below:

<u>Improvement District No.</u>	<u>Principal Amount Allocation</u>	<u>Principal Allocation Percentage</u>
6		
7		

Each Improvement District is obligated for payments with respect to its Principal Amount Allocation.

The Bonds do not constitute an obligation of the State of California or any political subdivision of the State of California other than the District on behalf of the Improvement Districts.

Ad Valorem Assessments

General. Pursuant to the Act, the Principal Amount Allocation of the Bonds for each Improvement District and the interest thereon is to be paid from annual ad valorem assessments, and all land within such Improvement District is to be and remain liable to be assessed for such payments. Ad valorem assessments may be levied under the Act based on the assessed valuation of land only. Such ad valorem assessments may be levied without limitation as to rate or amount.

The District has covenanted under the Indenture that, to the extent necessary to pay principal of and interest on the Principal Amount Allocation for each Improvement District, the District will impose and collect or cause the imposition and collection of ad valorem assessments on land in such Improvement District, pursue any remedy available to collect, or cause the collection of, delinquent ad valorem assessments and apply amounts realized from the sale of any property for delinquent ad valorem assessments for such purpose.

The District levies (on the County property tax bill) ad valorem assessments upon all assessable lands within the Improvement Districts, which are sufficient, together with other available funds, to meet debt service requirements of the Improvement Districts. The ad valorem assessments levied upon land within the Improvement Districts are collected by the County of Orange (the "**County**") at the same time and in the same manner as general County taxes, and are distributed by the County to the District. Such assessments are payable by property owners in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. The rates of ad valorem assessment per \$100 of assessed valuation (land only) levied on all assessable land within the Improvement Districts for fiscal year 2012-13 are set forth in the following table.

<u>Improvement District No.</u>	<u>Assessment Rate</u>
6	\$
7	

State law allows an exemption in the amount of \$7,000 of the full value of owner-occupied dwellings, and business inventories are exempt from assessment and taxation by the County Assessor. However, the State reimburses all local taxing jurisdictions for the loss of revenues resulting from these exemptions.

The entire tax may be paid at the time the first installment is due. A penalty of 10% is added to the first installment if not paid on or before December 10, and a penalty of 10% is added to the second installment if not paid on or before April 10, together with \$10.00 for each delinquent parcel. Such property may thereafter be redeemed by payment of the delinquent taxes, the delinquent penalty and a redemption fee of \$15,000, plus a redemption penalty of 11/2% per month which accrues from July 1 to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Land Values. Taxable property values determined by the County Assessor may be subject to an appeal by the property owner. Assessment appeals may be annually filed with the County Assessment Appeals Board for hearing and resolution. At the time of filing, applicants are required to estimate an opinion of value. The resolution of an appeal may result in a reduction in the Assessor's original taxable value and a tax refund to the applicant/property owner. Any reduction in assessed taxable values of property within a particular Improvement District may require an increase in the ad valorem assessment rate on the property within the Improvement District to provide sufficient funds to pay debt service on its outstanding bonds.

Bankruptcy. The payment of a property owner's ad valorem assessments and the ability of the District to foreclose the lien of delinquent unpaid ad valorem assessments may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

MOULTON NIGUEL WATER DISTRICT

General Description; Service Area

Formation. The District was established in November 1960 under provisions of the California Water District Law, Division 13 of the Water Code. The District was formed for the purpose of providing a water supply for the Moulton Niguel service area. In 1963 the California Water District Act was amended, allowing California water districts to provide wastewater and water reclamation services. On July 1, 1964 the District began operation and management of wastewater services previously provided by Orange County Sanitation District No. 12.

Service Area. The District's service area encompasses approximately 36.5 square miles and includes the City of Laguna Niguel, virtually all of the City of Aliso Viejo, and portions of the cities of Laguna Hills, Mission Viejo and Dana Point. Elevation within the District ranges from 100 to 920 feet above sea level. Climate is typical of the coastal plains of Southern California, with mild and relatively uniform temperatures. The District provides water and collects, treats and recycles wastewater in its service area. By agreement, the District also serves additional customers outside its boundaries.

Water System

The District imports all of its potable water from the Metropolitan Water District of Southern California ("MWD") through its member agency, Municipal Water District of Orange County ("MWDOC"), a wholesale importer of water from MWD. The District is a constituent agency of MWDOC and, as such, is entitled to receive water from available sources of MWD. MWD's sources of potable water primarily include a blend of water imported from the Colorado River and from the State Water Project. All District potable water is treated at the Diemer Filtration Plant (which is owned and operated by MWD) in Yorba Linda and delivered through two major aqueduct facilities, the East Orange County Feeder #2 and the Allen-McColloch Pipeline.

The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a total potable water storage capacity within the District of approximately 70 million gallons. The District also operates 30 pump stations to pump water from lower pressure zones to the higher pressure zones and 20 pressure reducing stations and flow control facilities to convey water from high to low zones. The District has also participated in several projects to provide water service reliability to the local system in the event of an interruption in imported water deliveries. These projects have been implemented jointly with other water providers in South Orange County, and include capacity in the El Toro Water District R-6 reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, and the Irvine Ranch Water District Interconnection Facilities. The District is also one of five participants in the Baker Water Treatment Plant which will provide additional local water system reliability and is expected to begin construction in early 2014.

Wastewater System

The District maintains approximately 530 miles of sewer pipelines ranging in size from 8 inches to 33 inches. The system has 19 lift stations that pump wastewater over the ridgelines to the various treatment plants for disposal or recycling. The District currently has capacity of 22.7

million gallons per day (mgd) in four local wastewater treatment plants and is utilizing approximately 13.5 mgd of the total capacity of 22.7 mgd, or approximately 60% of its capacity.

The District is a member agency of the South Orange County Wastewater Authority (“**SOCWA**”), which operates four regional treatment plants and two ocean outfalls. SOCWA’S member agencies consist of three cities and seven water districts, which include the District.

SOCWA owns and operates a sewage treatment plant, the J.B. Latham Treatment Plant, and associated ocean outfall facilities located between the coastal communities of Dana Point and Capistrano Beach in the San Juan Creek Watershed. Sewage is delivered from the District’s collection system to the Dana Point treatment plant through an interceptor sewer jointly owned by the District and Santa Margarita Water District. SOCWA also operates a treatment facility, the Plant 3A Treatment Plant, owned by the District that is located in the San Juan Creek Watershed and treats wastewater from the District and the Santa Margarita Water District.

SOCWA owns and operates two sewage treatment plants and ocean outfall facilities located in the Aliso Creek Watershed: one in Laguna Beach, the Coastal Treatment Plant (“**CTP**”); and the second in Laguna Niguel, the Joint Regional Treatment Plant (“**JRTP**”). The District has capacity in both the CTP and JRTP and the associated Aliso Creek ocean outfall disposal facilities.

Recycled Water System

The District’s water reclamation facilities have total advanced water treatment capacity of 13.8 mgd, and serve landscaped areas in the cities of Laguna Niguel, Mission Viejo, Dana Point, Laguna Hills and Aliso Viejo.

The District has constructed approximately 180 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system. In addition, the District has 1,000 Acre Feet (AF) of storage capacity in Santa Margarita Water District’s Upper Oso reservoir, located in Mission Viejo. The District has 18.7 million gallons (mg) of storage capacity within other storage reservoirs. The District operates 12 recycled water pump stations.

In addition to its own recycled water supplies, the District has an agreement with the South Coast Water District to provide up to an additional 1,000 AF of recycled water per year to the District. The District can receive the recycled water from South Coast Water District at a rate of up to 1.4 mg daily.

#6.

Board of Directors

The District is governed by a seven-member Board of Directors elected by registered voters in the District to serve staggered four-year terms. Each Director represents a geographical division based upon comparable populations which is determined by the District and submitted to the Registrar of Voters. The following table lists the current directors, noting the initial year of election or appointment to office and the final date of the current term of office.

<u>Board of Directors</u>	<u>First Elected/ Appointed</u>	<u>End of Term</u>
Lawrence R. Lizotte	1970	12/2014
Richard S. Fiore	1977	12/2016
Gary R. Kurtz	1992	12/2016
Larry McKenney, <i>President</i>	2008	12/2016
Donald Froelich, <i>Vice-President</i>	2008	12/2014
Brian Probolsky, <i>Vice-President</i>	2008	12/2016
Scott F. Colton	2010	12/2014

Employees

The District had 105 full-time employees as of June 30, 2013.

Deferred Compensation Plan. The District provides its employees and its Board members with a Section 457 Deferred Compensation Plan. The Plan is available to all full-time employees and Board members. Participants may defer receipt of a portion of their salary until future years. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. Participants invest their funds with a third party administrator, Nationwide Retirement Solutions, Inc..

Defined Contribution Plan. The District also sponsors the Moulton Niguel Water District Money Purchase Pension Trust ("**Money Purchase Plan**"), a defined contribution pension plan. The District's Board of Directors established the Money Purchase Plan and is authorized to amend the Money Purchase Plan and to name its trustees. All employees participating in the Deferred Compensation Plan are eligible to participate in the Money Purchase Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employee's salary to the Money Purchase Plan if the employee elects to participate in the Deferred Compensation Plan. Employer contributions were \$114,894 for the year ended June 30, 2013. All contributions are fully vested. The trustee maintains individual accounts for each participant. Each participant provides direction for investment of its account balance. Contributions, plus investment returns, are distributed to participants upon termination of employment.

Pension. The District contributes to the California Public Employees' Retirement System ("**CalPERS**"), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

The District funds these benefits according to actuarially determined contribution rates for both the employee and employer. Employees hired prior to July 28, 2009 are required to

contribute a portion of the employee contribution, which is equal to 3% of their covered payroll, and the District contributes the remaining 4% of the employee contribution on their behalf. Employees hired after July 28, 2009 are required to contribute the full employee contribution, which is equal to 7% of their covered payroll. Employees hired after January 1, 2013 are required to contribute the full employee contribution, which is equal to 6.5% of their covered payroll. Employee contributions paid by the District on behalf of employees were \$230,494 for the year ended June 30, 2013. The required employer contribution rate for the year ended June 30, 2013 was 12.33% of employees' covered payroll for employees hired prior to July 28, 2009 and 11.39% of employees' covered payroll for employees hired after July 28, 2009, and 6.7% of employees' covered payroll for employees hired after January 1, 2013. The most recent actuarial valuations are dated June 30, 2012 and are available upon request.

The following table identifies the required contributions for the last three fiscal years:

Table 1
MOULTON NIGUEL WATER DISTRICT
Pension Obligations

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Funded</u>	<u>Net Pension Obligation</u>
2011	\$1,129,261	100%	-
2012	1,076,083	100	-
2013	1,084,571	100	-

In fiscal year 2003, California legislation mandated that all agencies with less than 100 active members be enrolled in a risk-sharing pool with all other agencies in the State with similar benefit packages. At the time of joining the risk pool, a "side fund" was created to account for the difference between the funded status of the District's Plan and the funded status of the risk pool. CalPERS established the risk-sharing pools in 2003 to reduce large fluctuations in employer retirement contributions caused by demographic events. Each agency has a unique contribution rate determined by the risk pools normal cost adjusted for the agencies level of benefit enhancements, funding status prior to joining the pool and normal cost prior to joining the pool. As a result, the District's obligation for the side fund pool was \$3,403,367 as of December 31, 2008. This obligation was paid in full on December 31, 2008 and as a result, reduced the District's employer contribution rates. The payment of the CalPERS side fund created a prepaid asset which is being amortized over 30 years. The amount amortized for the year ending June 30, 2013 was \$46,979.

Recent Changes by CalPERS. On March 14, 2012, the CalPERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, the amounts of CalPERS member public agency contributions will increase by 1 to 2% for miscellaneous plans beginning in fiscal year 2013-14. More information about the CalPERS discount rate adjustment can be accessed through CalPERS's web site, www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2012/mar/discount-rate.xml. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.*

The CalPERS Board adjustment has been undertaken in order to address underfunding of the CalPERS funds, which arose from significant losses incurred as a result of the economic

#6.

crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The District is unable to predict what the amount of CalPERS liabilities will be in the future, or the amount of the CalPERS contributions which the District may be required to make.

At its April 17, 2013 meeting, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the fiscal year 2015-16.

According to CalPERS, the current amortization and smoothing policy was designed to reduce volatility in employer contribution rates, and, although the policy accomplished this goal fairly well since its adoption, a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.
- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.
- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

According to CalPERS, the adoption of the new smoothing and amortization policies will change future employer contribution rates, as follows:

- Funding levels will improve, which will reduce the funding level risk.
- Local agencies' plans will experience more rate volatility in normal years, but a much reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long-term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("PEPRA") and that amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual CalPERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their CalPERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with CalPERS).

The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the District, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of CalPERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

CalPERS predicts that the impact of AB 340 on employers, including the District, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, CalPERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through PERS's website at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST. *The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.*

Other Post-Employment Benefits (OPEB). The District provides other post-employment benefits ("OPEBs") to former full-time employees who retire in good standing and to Board Members who were first elected to a term of office that began prior to January 1, 1995. To counteract the costs of increasing healthcare, the District has imposed a two-tier structure. Employees hired prior to July 1, 2008 who retire from the District at a minimum of age 55 with 10 years of service with the District receive post-employment medical benefits for themselves and their dependents. Employees hired subsequent to July 1, 2008 who retire from the District at a minimum age 60 with 15 years of service with the District receive post-employment medical benefits for themselves and their dependents.

After age 65, the District provides a monthly cash allotment of \$235 per month to the retiree or former Board Member for use towards a Medical supplement policy. Dependent coverage ceases when the retiree or former Board Member reaches age 65.

#6.

OPEB Funded Status and Funding Progress. The status of the plan as of June 30, 2011 is as follows:

Actuarial accrued liability (AAL)	\$6,857,673
Actuarial value of plan assets	<u>1,131,224</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,726,449</u>
Funded ratio (actuarial value of plan assets/AAL)	16%
Covered payroll (active plan members)	\$6,819,000
UAAL as a percentage of covered payroll	84%

The schedule of funding progress is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
07/01/08	\$0	\$4,930,491	\$4,930,491	0%	\$6,365,000	77%
01/01/10	388,139	4,988,183	4,600,044	8	6,387,000	72
[]	1,131,224	6,857,673	5,726,449	16	6,819,000	84

As of June 30, 2011, the market value of the assets in the plan was \$[], resulting in a funded ratio of []%.

See the notes to the District's fiscal year audited financial statements attached as Appendix A for additional information about the District's OPEBs.

Insurance

The District maintains \$60,000,000 primary comprehensive general liability insurance. Property damage insurance is also carried, with coverage of \$91,045,564 on structures and contents. A \$3,000,000 commercial blanket bond is maintained on employees. The District retains pollution insurance of \$2,000,000 and underground storage tank coverage of \$3,000,000.

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (“**JPIA**”), for the operation of a common risk management and insurance program. The program covers workers' compensation, property and liability insurance. The membership includes 291 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the JPIA, including selection of management and approval of the operating budget.

If the District's deposits to the pool are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place.

Litigation

There is no litigation pending or, to the District's knowledge, threatened in any way to restrain or enjoin the issuance or delivery of the Bonds, to contest the validity of the Bonds or the Indenture, or any proceedings of the District with respect thereto. In the opinion of the District and

its counsel, there are no lawsuits or claims pending against the District which will materially adversely affect the District's ability to pay principal of and interest on the Bonds when due.

Investment Policy and Controls

Funds of the District are invested in accordance with the California Government Code and the District's investment policy. The Director of Finance submits a quarterly investment report to the Board of Directors.

Audited Financial Statements

The District's fiscal year 2012-13 financial statements, which are attached to this Official Statement as Appendix A, were audited by Mayer Hoffman McCann P.C. (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

Demographic Information

See Appendix F - "Certain Demographic Information for the Service Area" for additional information regarding the District.

THE IMPROVEMENT DISTRICTS**General**

The District was established in November 1960 under provisions of the California Water District Law, Division 13 of the Water Code. Located in southwestern Orange County approximately 16 miles southeast of Santa Ana and 50 miles southeast of Los Angeles, the District encompasses approximately 23,135 acres and includes the cities of Aliso Viejo and Laguna Niguel and portions of the cities of Mission Viejo, Laguna Hills, and Dana Point. The District is composed of six operational improvement districts, Improvement District Nos. 1, 2, 3, 6, 7 and 8.

The Bonds constitute the consolidated, several general obligations of the Improvement Districts. The principal apportioned to each Improvement District, together with available funds, will be sufficient to pay each Improvement District's share of the principal of and interest on the Refunded Bonds and related issuance costs. Shown in the following table are the Improvement Districts that will be part of this issuance and their allocation of the Bonds.

Table 2
MOULTON NIGUEL WATER DISTRICT
Improvement Districts

<u>Improvement District No.</u>	<u>Percentage of Principal Amount of Bonds</u>	<u>Principal Amount of Refunded Bonds⁽¹⁾</u>	<u>2013-14 Assessed Property Values⁽²⁾</u>	<u>Number of Parcels</u>
6	100%	\$14,425,000	\$3,766,104,893	16,236
7	100	8,115,000	1,309,520,500	3,855

(1) See "Bonded Indebtedness" and "Debt Service" under the captions "Improvement District No. 6," and "Improvement District No. 7."

(2) Value is the amount of the total value of the land only.

Source: Moulton Niguel Water District

Improvement District No. 6

General. Improvement District No. 6 comprises approximately 6,410 acres located in the northerly portion of the District northeast of the City of Laguna Beach and between the San Diego Freeway and Pacific Coast Highway.

The terrain in Improvement District No. 6 is chiefly rolling, with a valley known as Aliso Canyon running the length of the area on a northerly axis. Two smaller canyons also run through Improvement District No. 6. To the west, the area gradually elevates to a central highland from which steep and mountainous terrain rises, separating Improvement District No. 6 from the ocean. Elevations range from 100 feet to 920 feet above sea level.

Socioeconomic Characteristics. The table below highlights certain socioeconomic characteristics of Improvement District No. 6 in comparison to the District, the County and the State. These figures are intended solely as estimates and are not to be construed as a representation of fact.

**Table 3
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6
Socioeconomic Statistics
2010 Census Data**

<u>Socioeconomic Factor</u>	<u>Improvement District No. 6</u>	<u>District</u>	<u>Orange County</u>	<u>State of California</u>
Median Household Income				
Per Capital Income				
Median Construction Date				
Median Home Value				

Source: Empire Economics.

Water and Sewer Service Connections. The following table sets forth the number of water connections and sewer connections for Improvement District No. 6 for the past ten fiscal years.

**Table 4
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6
Water and Sewer Service Connections
Fiscal Years 2003-04 to 2012-13**

<u>Fiscal Year</u>	<u>Total Water Connection</u>	<u>Total Sewer Connection</u>
2003-04	14,767	13,633
2004-05	14,795	13,633
2005-06	14,801	13,633
2006-07	14,882	13,693
2007-08	15,046	13,822
2008-09	15,147	13,909
2009-10	15,280	14,032
2010-11	15,439	14,181
2011-12	15,578	14,305
2012-13	15,717	14,434

Source: Moulton Niguel Water District

#6.

Assessed Values and Tax Rates. Subject to limitations set forth in Article XIII A of the California State Constitution, the Orange County Assessor assesses at full cash value all real and personal property in the County for tax purposes except public utility property, which is assessed at full cash value by the State Board of Equalization (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES - Article XIII A of the State Constitution" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES - Legislation Implementing Article XIII A". State law exempts \$7,000 of the assessed value for an owner-occupied dwelling. State law also exempts 100% of the value of business inventories from taxation.

The following table presents the taxable land assessed valuations and the tax rate history for Improvement District No. 6 for the last ten fiscal years.

Table 5
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6
Taxable Assessed Valuations and Property Tax Assessments
Fiscal Years 2004-05 to 2013-14

Fiscal Year	Assessed Valuation (Land Only)⁽¹⁾	% Change From Prior Year	Tax Rate Per \$100 Assessed Land Value⁽²⁾
2004-05	\$2,665,372,247	--	.16069
2005-06	3,106,902,663	16.6%	.12315
2006-07	3,745,506,796	20.6	.10852
2007-08	4,080,132,438	8.9	.08382
2008-09	4,090,149,228	0.2	.11110
2009-10	3,720,113,947	-9.0	.11512
2010-11	3,616,970,822	-2.8	.11582
2011-12	3,638,572,322	0.6	.12315
2012-13	3,634,773,457	-0.1	.13840
2013-14	3,766,104,893	3.8	.12977

(1) Value is the amount of the total secured value of the land only; from records of the Orange County Auditor-Controller.

(2) Actual tax rate levied for the purpose of making debt service payments on voter authorized bonds.

Source: California Municipal Statistics, Inc.

The following table presents taxable land assessed valuations and land use within Improvement District No. 6 for fiscal year 2013-14, based on the most recent data received from Orange County.

Table 6
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6
Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

	2013-14 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Rural/Undeveloped	\$ 7,992,515	0.21%	67	0.41%
Commercial/Office	387,661,523	10.29	221	1.36
Industrial	123,291,804	3.27	77	0.47
Government/Social/Institutional	1,293,725	0.03	184	1.13
Miscellaneous	<u>124,124</u>	<u>0.00</u>	<u>6</u>	<u>0.04</u>
Subtotal Non-Residential	\$520,363,691	13.82%	555	3.42%
Residential:				
Single Family Residence	\$1,407,193,777	37.36%	6,519	40.15%
Condominium/Townhouse	1,492,893,337	39.64	9,126	56.21
2+ Residential Units/ Apartments	<u>345,654,088</u>	<u>9.18</u>	<u>36</u>	<u>0.22</u>
Subtotal Residential	\$3,245,741,202	86.18%	15,681	96.58%
Total	\$3,766,104,893	100.00%	16,236	100.00%

(1) 2013-14 Local Secured Assessed Valuation (Land Only).

Source: California Municipal Statistics, Inc.

Levy and Collection History. The following table summarizes the tax levy and collection history for Improvement District No. 6 for the last ten fiscal years. Although the Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, the District does not participate. Consequently, the District receives tax revenues based on actual collections.

Table 7
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6

#6.

**Tax Collection History
Fiscal Years 2003-04 to 2012-13**

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>\$ Delinquent June 30</u>	<u>% Delinquent June 30</u>
2003-04	\$4,785,323	\$54,457	1.14%
2004-05	5,005,145	69,447	1.39
2005-06	4,470,724	88,977	1.99
2006-07	4,408,334	142,620	3.24
2007-08	3,686,667	137,285	3.72
2008-09	4,647,494	158,128	3.40
2009-10	4,338,920	107,029	2.47
2010-11	4,248,292	77,697	1.83
2011-12	4,503,846	64,225	1.43
2012-13	5,089,980	47,423	0.93

Source: California Municipal Statistics, Inc.

Largest Taxpayers. The following table sets forth the twenty largest taxpayers within Improvement District No. 6 for fiscal year 2013-14, based on the most recent data received from Orange County.

**Table 8
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6**

**Twenty Largest Taxpayers
Fiscal Year 2013-14**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Assessed Valuation ⁽¹⁾</u>	<u>% of Total ⁽²⁾</u>
1.	Sequoia Equities	Apartments	\$ 68,877,872	1.83%
2.	Moritz Associates LLC	Apartments	44,408,101	1.18
3.	Barcelona, LLC	Apartments	38,373,258	1.02
4.	OC/SD Holdings LLC	Apartments	38,116,434	1.01
5.	Shea Homes	Residential	31,702,704	0.84
6.	Aventine Apartments LLC	Apartments	24,244,388	0.64
7.	Aliso Investment No. 1, 2 & 3 LLC	Commercial	22,940,475	0.61
8.	CLF Aliso Viejo Business Trust	Commercial	21,632,441	0.57
9.	Qlogic	Commercial	20,511,904	0.54
10.	BT-OH LLC	Industrial	19,478,971	0.52
11.	Oxford Spectrum Wilson LLC	Industrial	16,936,534	0.45
12.	Donahue Schriber Realty Group LP	Commercial	16,933,467	0.45
13.	Summit Office Partners Holding Co. LLC	Commercial	15,300,000	0.41
14.	Aliso-Holly Oaks Partners	Apartments	15,166,909	0.40
15.	AV Commons I & II LLC	Commercial	13,877,100	0.37
16.	Rreef America REIT II Corp.	Commercial	11,905,693	0.32
17.	Pacific Life Insurance Company	Commercial	11,730,000	0.31
18.	City Lights-Aliso Viejo LLC	Apartments	10,970,079	0.29
19.	Wood Canyon Villas	Apartments	10,954,008	0.29
20.	Horseshoe Bar Investors LLC	Commercial	<u>10,760,840</u>	<u>0.29</u>
			\$464,821,178	12.34%

(1) Because the assessments are levied based on the value of the land only, the "Assessed Valuation" and the "% of Total Assessment" columns reflect the relative values of the land (without improvements) of the landowners.

(2) 2013-14 Local Secured Assessed Valuation (Land Only): \$3,766,104,893

Source: California Municipal Statistics, Inc.

Bonded Indebtedness. The following table shows the direct and overlapping bonded indebtedness within Improvement District No. 6.

**Table 9
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6**

#6.

Direct and Overlapping Debt Statement As of December 1, 2013

2013-14 Assessed Valuation: \$3,779,878,851 (Land Only)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: (Based on all property assessed valuation of \$7,955,401,856)

	<u>% Applicable</u>	<u>Debt 12/1/13</u>	
Metropolitan Water District	0.364%	\$ 600,909	
Capistrano Unified School District School Facilities Improvement District No. 1	0.864	303,350	
Laguna Beach Unified School District	1.882	535,805	
Saddleback Valley Unified School District	0.767	896,163	
Moulton-Niguel Water District, I.D. No. 6	100.000	14,425,000	(1)
City of Aliso Viejo Community Facilities District No. 2005-01	100.000	33,815,000	
Capistrano Unified School District Community Facilities District No. 87-1	72.504	<u>26,028,936</u>	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$76,605,163	
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	1.798	\$ 3,059,495	
Orange County Pension Obligations	1.798	3,965,584	
Orange County Board of Education Certificates of Participation	1.798	283,545	
Capistrano Unified School District Certificates of Participation	10.950	1,997,828	
City of Aliso Viejo Certificates of Participation	97.981	7,186,906	
City of Laguna Hills Certificates of Participation	4.194	578,353	
Municipal Water District of Orange County Water Facilities Corporation	2.153	167,396	
Moulton-Niguel Water District Certificates of Participation	24.811	<u>20,294,157</u>	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$37,533,264	
Less: MWDOC Water Facilities Corporation (100% supported)		<u>167,396</u>	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$37,365,868	
 GROSS COMBINED TOTAL DEBT			
		\$114,138,427	(2)
NET COMBINED TOTAL DEBT		\$113,971,031	

(1) Excludes general obligation bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to Land Only Assessed Valuation:

Direct Debt (\$14,425,000)..... 0.38%

Ratios to All Property Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt . 0.96%

Gross Combined Total Debt..... 1.43%

Net Combined Total Debt..... 1.43%

Source: California Municipal Statistics, Inc.

The voters in Improvement District No. 6 have authorized \$140,838,000 of water and sewer bonds. Of such authorization, \$63,400,000 principal amount of bonds have been sold. The District presently anticipates that no additional general obligation bonds for Improvement District No. 6 will be issued, but the District has the ability to, and reserves the right to, issue additional general obligations bonds for Improvement District No. 6 in the future.

Debt Service. After the sale and delivery of the Bonds, Improvement District No. 6's share of the Bonds will represent the District's only direct general obligation bonds outstanding in Improvement District No. 6. Approximately \$[] of the principal amount of the Bonds (representing approximately []%) of the aggregate principal amount of the Bonds will be allocable to Improvement District No. 6.

The following table illustrates the debt service on the Bonds allocated to Improvement District No. 6.

Table 10
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 6
Debt Service Schedule

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
September 1, 2014			
September 1, 2015			
September 1, 2016			
September 1, 2017			
September 1, 2018			
September 1, 2019			
Total			

#6.

Improvement District No. 7

General. Improvement District No. 7 includes approximately 1,500 acres located in the cities of Laguna Niguel and Dana Point in the most southerly portion of the District closest to the Pacific Ocean. The Ritz Carlton resort hotel at Laguna Niguel is located nearby, across Pacific Coast Highway from the St. Regis Monarch Beach Resort site. There are two major thoroughfares in Improvement District No. 7, Camino Del Avion and the Street of the Golden Lantern.

Socioeconomic Characteristics. The table below highlights certain socioeconomic characteristics of Improvement District No. 7 in comparison to the District, the County and the State. These figures are intended solely as estimates and are not to be construed as a representation of fact.

Table 11
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7
Socioeconomic Statistics
2010 Census Data

<u>Socioeconomic Factor</u>	<u>Improvement District No. 7</u>	<u>District</u>	<u>Orange County</u>	<u>State of California</u>
Median Household Income				
Per Capital Income				
Median Construction Date				
Median Home Value				

Source: Empire Economics.

Water and Sewer Service Connections. The following table sets forth the number of water connections and sewer connections for Improvement District No. 7 for the past ten fiscal years.

Table 12
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7
Water and Sewer Service Connections
Fiscal Years 2003-04 to 2012-13

<u>Fiscal Year</u>	<u>Total Water Connections</u>	<u>Total Sewer Connections</u>
2003-04	3,505	3,269
2004-05	3,509	3,271
2005-06	3,510	3,273
2006-07	3,520	3,279
2007-08	3,523	3,282
2008-09	3,523	3,282
2009-10	3,524	3,283
2010-11	3,525	3,285
2011-12	3,525	3,285
2012-13	3,526	3,286

Source: Moulton Niguel Water District

#6.

Assessed Values and Tax Rates. The Orange County Assessor assesses at full cash value all real and personal property in the County for tax purposes except public utility property, which is assessed at full cash value by the State Board of Equalization. State law exempts \$7,000 of the assessed value for an owner-occupied dwelling. State law also exempts 100% of the value of business inventories from taxation.

The following table presents the taxable land assessed valuations and the tax rate history for Improvement District No. 7 for the last eleven fiscal years.

Table 13
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7
Taxable Assessed Valuations and Property Tax Assessments
Fiscal Years 2004-05 to 2013-14

Fiscal Year	Assessed Valuation (Land Only) ⁽¹⁾	% Change From Prior Year	Tax Rate Per \$100 Assessed Land Value ⁽²⁾
2004-05	\$1,006,563,813	--	.12499
2005-06	1,147,927,647	14.1%	.09514
2006-07	1,274,502,241	11.8	.09304
2007-08	1,361,068,532	6.0	.07362
2008-09	1,350,425,435	-0.8	.09900
2009-10	1,266,215,576	-6.2	.09948
2010-11	1,265,424,010	0.0	.12181
2011-12	1,260,349,348	-0.4	.11336
2012-13	1,269,860,203	0.8	.11573
2013-14	1,309,520,500	3.1	.10972

(1) Value is the amount of the total secured value of the land only; from records of the Orange County Auditor-Controller.

(2) Actual tax rate levied for the purpose of making debt service payments on voter authorized bonds.

Source: California Municipal Statistics Inc.

The following table presents taxable land assessed valuations and land use within Improvement District No. 7 for fiscal year 2013-14, based on the most recent data received from Orange County.

Table 14
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7
Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

	2013-14 <u>Assessed Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Rural/Undeveloped	\$ 7,008,671	0.54%	21	0.54%
Commercial/Office	25,028,359	1.91	17	0.44
Miscellaneous	<u>1,698</u>	<u>0.00</u>	<u>20</u>	<u>0.52</u>
Subtotal Non-Residential	\$32,038,728	2.45%	58	1.50%
Residential:				
Single Family Residence	\$1,025,453,588	78.31%	2,526	65.53%
Condominium/Townhouse	235,422,044	17.98	1,255	32.56
2+ Residential Units/Apartments	<u>16,606,140</u>	<u>1.27</u>	<u>16</u>	<u>0.42</u>
Subtotal Residential	\$1,277,481,772	97.55%	3,797	98.50%
Total	\$1,309,520,500	100.00%	3,855	100.00%

(2) 2013-14 Local Secured Assessed Valuation (Land Only).

Source: California Municipal Statistics, Inc.

Levy and Collection History. The following table summarizes the tax levy and collection history for Improvement District No. 7 for the last ten fiscal years. Although the Board of Supervisors of the County has approved the implementation of the Teeter Plan, the District does not participate. Consequently, the District receives tax revenues based on actual collections.

Table 15
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7
Tax Collection History
Fiscal Years 2003-04 to 2012-13

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>\$ Delinquent June 30</u>	<u>% Delinquent June 30</u>
2003-04	\$1,333,905	\$25,268	1.89%
2004-05	1,426,500	21,578	1.51
2005-06	1,212,899	16,536	1.36
2006-07	1,233,104	31,495	2.55
2007-08	1,058,643	38,398	3.63
2008-09	1,352,934	54,380	4.02
2009-10	1,268,213	29,820	2.35
2010-11	1,564,340	26,065	1.67
2011-12	1,426,787	19,285	1.35
2012-13	1,495,927	19,155	1.28

Source: California Municipal Statistics, Inc.

#6.

Largest Taxpayers. The following table sets forth the ten largest taxpayers within Improvement District No. 7 for fiscal year 2013-14, based on the most recent data received from Orange County.

Table 16
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7
Ten Largest Taxpayers
Fiscal Year 2013-14

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Assessed Valuation</u> ⁽¹⁾	<u>% of Total</u> ⁽²⁾
1.	Ocean Ranch II	Commercial	\$12,332,011	0.94%
2.	Harbor Pointe Partners LLC	Apartments	10,354,288	0.79
3.	Individual Property Owner	Residence	7,806,498	0.60
4.	Individual Property Owner	Residence	5,584,500	0.43
5.	Individual Property Owner	Residence	4,943,950	0.38
6.	Individual Property Owner	Residence	4,912,446	0.38
7.	Individual Property Owner	Residence	4,460,135	0.34
8.	3A LLC	Commercial	4,218,707	0.32
9.	Individual Property Owner	Residence	4,003,952	0.31
10.	Individual Property Owner	Residence	3,873,604	0.30
11.	Individual Property Owner	Residence	3,673,436	0.28
12.	Individual Property Owner	Residence	3,533,800	0.27
13.	Individual Property Owner	Residence	3,426,368	0.26
14.	Individual Property Owner	Residence	3,261,039	0.25
15.	Individual Property Owner	Residence	3,130,655	0.24
16.	Individual Property Owner	Residence	2,931,849	0.22
17.	Individual Property Owner	Residence	2,571,671	0.20
18.	Individual Property Owner	Residence	2,570,931	0.20
19.	Individual Property Owner	Residence	2,565,039	0.20
20.	Individual Property Owner	Residence	<u>2,524,147</u>	<u>0.19</u>
			<u>\$92,679,026</u>	<u>7.08%</u>

(1) Because the assessments are levied based on the value of the land only, the "Assessed Valuation" and the "% of Total Assessment" columns reflect the relative values of the land (without improvements) of the landowners.

(2) 2013-14 Local Secured Assessed Valuation (Land Only): \$1,309,520,500.

Source: California Municipal Statistics, Inc.

Bonded Indebtedness. The following table shows the direct and overlapping bonded indebtedness within Improvement District No. 7.

Table 17
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7

Direct and Overlapping Debt Statement
As of December 1, 2013

2013-14 Assessed Valuation: \$1,311,063,358 (Land Only)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: (Based on all property assessed valuation of \$2,456,330,155)

<u>% Applicable</u>	<u>Debt 12/1/13</u>		
Metropolitan Water District	0.112%	\$	184,895
Capistrano Unified School District School Facilities Improvement District No. 1	5.395		1,894,181
City of San Juan Capistrano	0.002		599
Moulton-Niguel Water District, I.D. No. 7	100.000		8,115,000 (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$10,194,675

OVERLAPPING GENERAL FUND DEBT:

Orange County General Fund Obligations	0.555	\$	944,394
Orange County Pension Obligations	0.555		1,224,082
Orange County Board of Education Certificates of Participation	0.555		87,524
Capistrano Unified School District Certificates of Participation	3.620		660,469
City of San Juan Capistrano Judgment Obligations	0.002		44
Municipal Water District of Orange County Water Facilities Corporation	0.665		51,704
Moulton-Niguel Water District Certificates of Participation	8.606		7,039,278
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$10,007,495
Less: MWDOC Water Facilities Corporation (100% supported)			51,704
TOTAL NET OVERLAPPING GENERAL FUND DEBT			\$ 9,955,791

GROSS COMBINED TOTAL DEBT			\$20,202,170 (2)
NET COMBINED TOTAL DEBT			\$20,150,466

(1) Excludes general obligation bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to Land Only Assessed Valuation:

Direct Debt (\$8,115,000) 0.62%

Ratios to All Property Assessed Valuation:

Total Overlapping Tax and Assessment Debt 0.42%
Gross Combined Total Debt 0.82%
Net Combined Total Debt 0.82%

Source: California Municipal Statistics, Inc.

The voters in Improvement District No. 7 have authorized \$26,664,000 of water and sewer bonds. Of such authorization, \$19,800,000 principal amount of bonds have been sold. The District presently anticipates that no additional general obligation bonds for Improvement District No. 7 will be issued, but the District has the ability to, and reserves the right to, issue additional general obligations bonds for Improvement District No. 7 in the future.

#6.

Debt Service. After the sale and delivery of the Bonds, Improvement District No. 7's share of the Bonds will represent the District's only direct general obligation bonds outstanding in Improvement District No. 7. Approximately \$[] of the principal amount of the Bonds (representing approximately []%) of the aggregate principal amount of the Bonds will be allocable to Improvement District No. 7.

The following table illustrates the debt service on the Bonds allocated to Improvement District No. 7.

Table 18
MOULTON NIGUEL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 7
Debt Service Schedule

Year Ending	Principal	Interest	Debt Service
September 1, 2014			
September 1, 2015			
September 1, 2016			
September 1, 2017			
September 1, 2018			
September 1, 2019			
Total			

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* assessment levied by the District for the payment thereof. See “THE BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” above. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 26, 62, 111, and 218 and 1A, and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy assessments and spend assessment proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy assessments for payment of the Bonds.

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

#6.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds, which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

Because the issuance of the original bonds that are being refinanced with proceeds of the Bonds was approved by the voters, the assessment which is required to pay debt service on the Bonds is not subject to the limitations of Article XIII B.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, California voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other

than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the State legislature. Proposition 26's amendments to Article XIII C broadly define "tax," but specifically exclude, among other things:

- "(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.
- ...
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

Under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Article XIII C states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any ...assessment..." Article XIII C does not define the term "assessment" and it is therefore unclear whether Article XIII C is applicable to ad valorem assessments such as those which are levied by the District to pay debt service on the Bonds. The power of initiative to affect assessments shall be applicable to all local governments and neither the State legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.

On July 1, 1997, the Governor of the State signed a bill into law enacting Government Code Section 5854, which states that:

#6.

Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that Article XIIC has not conferred on the voters the power to repeal or reduce the ad valorem assessments that are used to pay debt service on the Bonds if such reduction would interfere with the timely retirement of the Bonds.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Gardino*. This decision reaffirmed the constitutionality of Proposition 62.

The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A

Proposition 1A, proposed by the State legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial

hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A affects the District's general fund revenues but not the ad valorem assessments that are used to pay debt service on the Bonds.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 26, 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the District or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and other operating data on an annual basis and to provide notice of listed events as required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “**Rule**”). The specific nature of the information to be contained in the annual report or the notices of listed events is summarized in the form of Continuing Disclosure Certificate set forth as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

The District has not failed to comply in all material aspects with any previous undertakings with regard to the Rule to provide annual reports or notices of specific events in the past five years.

Any failure by the District to comply with the provisions of its Continuing Disclosure Certificate will not constitute a default under the Indenture (although Bondholders will have any remedy available at law or in equity as provided in the Continuing Disclosure Certificate). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

CONCLUDING INFORMATION

Legal Opinion

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, approving the validity of the Bonds, in substantially the form set forth as Appendix E hereto, will be made available to purchasers at the time of original delivery. Jones Hall is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as general counsel, and for the Underwriter by Fulbright & Jaworski LLP, a member of Norton, Rose, Fulbright, Los Angeles, California.

Financial Interest

Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the issuance and delivery of the Bonds.

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code

#6.

contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Underwriting

The Bonds are being purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[] (representing the principal amount of the Bonds, plus/less original issue premium/original issue discount of \$[] and less underwriter's discount of \$[]). The Underwriter's obligation to purchase the Bonds is subject to certain terms and conditions set forth in the purchase contract for the Bonds, the approval of certain legal matters by counsel and certain other conditions. The Underwriter is obligated to purchase all of the Bonds if any are purchased.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page of this Official Statement. The offering prices of the Bonds may be changed from time to time by the Underwriter.

Ratings

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "____" to the Bonds.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

Miscellaneous

The quotations from, and the summaries and explanations of the Bonds and the Indenture and other documents and statutes contained herein do not purport to be complete, and reference is made to such documents and statutes for the full and complete statements of their respective provisions.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

#6.

The execution and delivery of this Official Statement has been duly authorized by the District.

MOULTON NIGUEL WATER DISTRICT

By: Joone Lopez
General Manager

APPENDIX A
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013

#6.

APPENDIX B
SUMMARY OF CERTAIN PROVISIONS OF
INDENTURE OF TRUST

APPENDIX C

[FORM OF] CONTINUING DISCLOSURE CERTIFICATE

\$[]
MOULTON NIGUEL WATER DISTRICT
2014 CONSOLIDATED REFUNDING BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the MOULTON NIGUEL WATER DISTRICT (the “District”) in connection with the execution and delivery of the bonds captioned above (the “Bonds”). The Bonds are being executed and delivered pursuant to an Indenture, dated as of February 1, 2014 (the “Indenture”), by and between the District and U.S. Bank National Association (the “Bank”), in its capacity as trustee.

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is eight months after the end of the District’s fiscal year (currently March 1 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means the Bank, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

#6.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each Annual Report Date, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A to this Disclosure Certificate.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or incorporate by reference the following:

(a) The District’s audited financial statements prepared in accordance with generally accepted accounting principles 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 Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Bonds Outstanding as of the December 31 preceding the next Annual Report Date; and

(ii) An update of the information contained in Table Nos. 5, 7, 13 and 15 of the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.

#6.

- (13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States 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 District, or if such jurisdiction has been assumed by leaving the existing governing 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 District .

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Bank. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. 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 the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. 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 Annual Report or 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 Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation

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under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds 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 Indenture, 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.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: February [], 2014

MOULTON NIGUEL WATER DISTRICT

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Moulton Niguel Water District (the "District")
Name of Issue: Moulton Niguel Water District 2014 Consolidated Refunding Bonds
Date of Issuance: February [], 2014

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report for fiscal year _____ with respect to the above-named Bonds as required by the Indenture, dated as of February 1, 2014, by and between the District and U.S. Bank National Association, as trustee. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

APPENDIX D**BOOK-ENTRY ONLY SYSTEM**

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix D.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.
2. 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

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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"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.
5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, 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 Issuer or Agent, 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.
9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

February [], 2014

Board of Directors
Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92656

Re: \$[] Moulton Niguel Water District
2014 Consolidated Refunding Bonds

Members of the Board of Directors:

We have acted as Bond Counsel to the Moulton Niguel Water District (the "District") in connection with the issuance by the District of \$[] principal amount of Moulton Niguel Water District 2014 Consolidated Refunding Bonds, dated the date hereof (the "Bonds"), pursuant to (i) Sections 36060 et seq. and Section 36447.11 of the California Water Code (the "Act"), and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, (ii) Resolution No. [-], authorizing the issuance of the Bonds, adopted on January 16, 2014, by the Board of Directors of the District (the "Resolution"), and (iii) an Indenture of Trust, dated as of February 1, 2014 (the "Indenture"), between the District and U.S. Bank National Association, as Trustee (the "Trustee"). The Bonds have been issued by the District on behalf of Improvement District No. 6 and Improvement District No. 7 of the District (together, the "Improvement Districts"). The Bonds are payable from the following sources in an amount proportionate to the principal amount of Bonds allocated to each of the Improvement Districts: (a) ad valorem assessments on taxable land in the Improvement Districts, and (b) proceeds from the sale of property in the Improvement Districts for delinquent assessments (together, the "Assessments"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and the Indenture, and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing California Water District with the power to issue the Bonds, and to perform its obligations under the Resolution, the Indenture and the Bonds.
2. The Resolution has been duly adopted by the Board, and the Resolution and the Indenture constitute valid and binding obligations of the District, enforceable upon the District in accordance with their respective terms.

3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding obligations of the District, payable from the Assessments, unlimited as to rate or amount, for the payment of principal of and interest on the Bonds.

4. The interest on the Bonds is excluded from gross income 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; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

**ECONOMIC AND DEMOGRAPHIC INFORMATION
FOR THE SERVICE AREA OF THE DISTRICT
THE CITIES OF ALISO VIEJO, DANA POINT, LAGUNA HILLS, LAGUNA NIGUEL,
MISSION VIEJO, AND THE COUNTY OF ORANGE**

The following information is included only for the purpose of supplying general information regarding the service area of the District. The Certificates are not an obligation of Orange County, the State or any of its political subdivisions (other than the District to the limited extent set forth in this Official Statement), and neither the County, the State of California nor any of its political subdivisions (other than the District to the limited extent set forth in this Official Statement) is liable therefor.

General Description and Background

The District's service area totals approximately 36.5 square miles and includes the Cities of Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo, all of which are located in Orange County.

Aliso Viejo. The City of Aliso Viejo is located in the San Joaquin Hills of Orange County, with a total area of 7.5 square miles, all of which is land. The San Joaquin Hills are a coastal mountain range along the Pacific Coast. Aliso Viejo is bordered by the cities of Laguna Beach on the west and southwest, Laguna Hills on the east, Laguna Niguel on the southeast, and Laguna Woods on the north. The City became incorporated into Orange County on July 1, 2001.

Dana Point. The City of Dana Point is located in southern Orange County, has seven miles of coastline, and it is a popular local surf destination. Dana Point is approximately 29.5 square miles, of which 6.5 square miles is land and 23 square miles is water. The City of Dana Point was incorporated into Orange County in January 1989.

Laguna Hills. The City of Laguna Hills is located in the coastal San Joaquin Hills of southern Orange County and has a total area of 6.7 square miles, of which 6.7 square miles is land and 0.025 square miles is water. Laguna Hills is built on one of the major land grants developed during the Rancho Era in the early 19th Century. The City was incorporated into Orange County on December 20, 1991.

Laguna Niguel. The City of Laguna Niguel is a master planned community located in the coastal San Joaquin Hills of southern Orange County, with a total area of 14.9 square miles, of which 14.9 square miles is land and 0.05 square miles is water. Laguna Niguel is one of the first master planned communities in California. Like Laguna Hills, Laguna Niguel is built on one of the major land grants developed during the Rancho Era in the early 19th Century. The City was incorporated into Orange County on December 1, 1989.

Mission Viejo. The City of Mission Viejo is a master planned community located in southern Orange County, in the Saddleback Valley, with a total area of 18.1 square miles, of which 17.4 square miles is land and 0.38 square miles is water. Mission Viejo is one of the largest master planned communities ever built under a single project in the country. Mission Viejo is known for being one of the safest cities in the country. The City was incorporated into Orange County in 1988.

The County. The County of Orange (the "County") is located in southern California and is bordered on the southwest by the Pacific Ocean, on the north by Los Angeles County, on the northeast by San Bernardino County and Riverside County, and on the southeast by San Diego County. The county seat is Santa Ana. The County is the third most populous county in the State but is the smallest county, in terms of square miles, in California. The County is famous for tourism, as it is home to Disneyland, Disney California Adventure Park, and Knott's Berry Farm. Many popular TV shows and movies have brought attention to the County's warm weather, beautiful coastline, and affluent residents.

Population

The following table sets forth population estimates for the Cities of Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo, Orange County and the State of California as of January 1 for the years 2009 to 2013:

**CITY OF ALISO VIEJO, CITY OF DANA POINT, CITY OF LAGUNA HILLS, CITY OF
LAGUNA NIGUEL, CITY OF MISSION VIEJO,
ORANGE COUNTY AND STATE OF CALIFORNIA
Estimated Population**

Year (January 1)	Aliso Viejo	Dana point	Laguna Hills	Laguna Niguel	Mission Viejo	Orange County	State of California
2009	46,751	33,485	30,494	62,878	93,458	2,990,805	36,966,713
2010	47,411	33,403	30,396	63,005	93,394	3,008,855	37,223,900
2011	48,310	33,424	30,407	63,221	93,472	3,028,846	37,427,946
2012	49,025	33,690	30,564	63,734	94,262	3,057,879	37,668,804
2013	49,477	33,863	30,703	64,065	94,824	3,081,804	37,966,471

Source: State of California Department of Finance, Demographic Research Unit.

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Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009, 2010 and 2011 is not comparable to that of prior years.

Total taxable sales reported during the first two quarters of calendar year 2012 in the City of Aliso Viejo were reported to be \$195,656, an 8.81% increase over the total taxable sales of \$179,812 reported during the first two quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Aliso Viejo is presented in the following table for the years 2007 to 2011. Annual figures are not yet available for 2012.

**CITY OF ALISO VIEJO
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	463	\$318,634	1,106	\$370,901
2008	503	313,307	1,124	367,065
2009 ⁽¹⁾	682	301,240	1,052	344,773
2010 ⁽¹⁾	711	316,960	1,078	356,221
2011 ⁽¹⁾	713	329,124	1,089	386,269

(1) Not comparable to prior years. "Retail" category now includes "Food Services."

Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

Total taxable sales reported during the first two quarters of calendar year 2012 in the City of Dana Point were reported to be \$198,832, a 2.23% increase over the total taxable sales of \$188,632 reported during the first two quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Dana Point is presented in the following table for the years 2007 to 2011. Annual figures are not yet available for 2012.

CITY OF DANA POINT
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	614	\$305,680	1,366	\$443,870
2008	636	283,781	1,300	403,080
2009 ⁽¹⁾	834	258,086	1,225	344,880
2010 ⁽¹⁾	821	263,244	1,220	357,551
2011 ⁽¹⁾	808	277,980	1,197	397,225

(1) Not comparable to prior years. "Retail" category now includes "Food Services."

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales reported during the first two quarters of calendar year 2012 in the City of Laguna Hills were reported to be \$224,164, a 1.36% decrease under the total taxable sales of \$227,251 reported during the first two quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Laguna Hills is presented in the following table for the years 2007 to 2011. Annual figures are not yet available for 2012.

CITY OF LAGUNA HILLS
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	733	\$480,883	1,514	\$605,039
2008	757	417,444	1,504	535,009
2009 ⁽¹⁾	867	380,794	1,402	477,840
2010 ⁽¹⁾	834	373,050	1,357	462,741
2011 ⁽¹⁾	841	383,478	1,364	465,971

(1) Not comparable to prior years. "Retail" category now includes "Food Services."

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

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Total taxable sales reported during the first two quarters of calendar year 2012 in the City of Laguna Niguel were reported to be \$461,202, a 1.74% increase over the total taxable sales of \$453,319 reported during the first two quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Laguna Niguel is presented in the following table for the years 2007 to 2011. Annual figures are not yet available for 2012.

CITY OF LAGUNA NIGUEL
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	866	\$858,994	1,929	\$995,104
2008	889	824,294	1,906	971,206
2009 ⁽¹⁾	1,137	745,782	1,750	864,402
2010 ⁽¹⁾	1,140	786,416	1,754	899,366
2011 ⁽¹⁾	1,169	838,376	1,788	949,718

(1) Not comparable to prior years. "Retail" category now includes "Food Services."

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales reported during the first two quarters of calendar year 2012 in the City of Mission Viejo were reported to be \$680,696, a 4.31% increase over the total taxable sales of \$652,540 reported during the first two quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Mission Viejo is presented in the following table for the years 2007 to 2011. Annual figures are not yet available for 2012.

CITY OF MISSION VIEJO
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	1,354	\$1,305,358	2,853	\$1,549,469
2008	1,386	1,163,917	2,725	1,405,375
2009 ⁽¹⁾	1,711	1,045,186	2,517	1,236,735
2010 ⁽¹⁾	1,723	1,095,922	2,550	1,296,304
2011 ⁽¹⁾	1,727	1,155,130	2,542	1,380,815

(1) Not comparable to prior years. "Retail" category now includes "Food Services."

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales reported during the first two quarters of calendar year 2012 in the County of Orange were reported to be \$26,524,649, a 7.16% increase over the total taxable sales of \$24,752,855 reported during the first two quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County of Orange is presented in the following table for the years 2007 to 2011. Annual figures are not yet available for 2012.

ORANGE COUNTY
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	44,093	\$38,988,227	99,088	\$57,293,471
2008	45,705	35,768,595	97,612	53,606,829
2009 ⁽¹⁾	56,259	31,162,619	90,231	45,712,784
2010 ⁽¹⁾	58,076	32,552,107	92,047	47,667,179
2011 ⁽¹⁾	58,795	35,587,795	92,207	51,731,139

(1) Not comparable to prior years. "Retail" category now includes "Food Services."

Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

#6.

Employment and Industry

The unemployment rate in the County was 5.8% in October 2013, unchanged from a revised 5.8% in September 2013, and below the year-ago estimate of 7.2%. This compares with an unadjusted unemployment rate of 8.3% for California and 7.0% for the nation during the same period. The table below shows average annual employment by industry group, and the unemployment rate, for the years 2008 to 2012.

ORANGE COUNTY Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2008	2009	2010	2011	2012
Civilian Labor Force ⁽¹⁾	1,618,400	1,589,600	1,592,500	1,600,100	1,618,700
Employment	1,533,100	1,448,800	1,441,500	1,460,100	1,496,000
Unemployment	85,300	140,700	151,000	140,000	122,700
Unemployment Rate	5.3%	8.9%	9.5%	8.8%	7.6%
Wage and Salary Employment: ⁽²⁾					
Agriculture	4,600	3,800	3,700	3,200	2,700
Mining and Logging	600	500	500	500	500
Construction	91,200	74,200	68,000	69,200	71,300
Manufacturing	174,100	154,800	150,400	154,200	157,800
Wholesale Trade	86,700	79,400	77,600	77,000	76,700
Retail Trade	155,600	142,300	140,100	140,900	142,200
Transportation, Warehousing and Utilities	29,300	27,800	26,700	27,500	27,700
Information	30,100	27,300	24,800	23,800	24,200
Finance and Insurance	76,100	70,600	69,400	71,100	73,600
Real Estate and Rental and Leasing	37,000	34,500	34,100	33,600	34,400
Professional and Business Services	266,600	240,200	243,500	245,700	255,900
Educational and Health Services	150,700	152,100	155,500	158,800	163,400
Leisure and Hospitality	176,400	169,100	168,600	174,000	180,500
Other Services	46,500	42,600	42,200	43,200	44,300
Federal Government	11,700	11,700	12,400	11,600	11,100
State Government	28,000	27,700	27,300	28,000	28,600
Local Government	121,000	117,300	112,600	109,700	108,100
Total, All Industries ⁽³⁾	1,486,200	1,375,900	1,357,400	1,371,900	1,403,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table lists the principal employers in the Moulton Niguel Water District for the fiscal year ended June 30, 2013.

**MOULTON NIGUEL WATER DISTRICT
Principal Employers ⁽¹⁾
Fiscal Year Ended 2013**

Rank	Employer	Operating City	Number of Employees	Percent of Each City's Employment
1	Mission Hospital Regional Medical Center	Mission Viejo	2,500	4.44%
2	Saddleback College	Mission Viejo	1,877	3.33
3	Saddleback Valley Unified School District	Mission Viejo	1,245	2.21
4	Saddleback Memorial Hospital	Laguna Hills	1,020	5.86
5	UPS	Aliso Viejo	1,000	5.67
6	Pacific Life Insurance	Aliso Viejo	811	4.59
7	Fluor Corporation	Aliso Viejo	630	3.57
8	Hines Growers LLC	Laguna Hills	600	3.44
9	Quest Software Inc.	Aliso Viejo	600	3.40
10	Capistrano Unified School District	Mission Viejo	537	0.95

(1) Principal Employers represent blended data from the five cities the District serves: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. Ranked according to number of employees.

Source: *Moulton Niguel Water District Comprehensive Annual Fiscal Report Year Ended June 30, 2013.*

#6.

The following table lists the principal employers in the County, listed alphabetically, as of December 2013.

**ORANGE COUNTY
Principal Employers
December 2013**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Amcheck Inc-Irvine	Irvine	Human Resource Consultants
Anaheim City Hall	Anaheim	City Government-Executive Offices
Blogtagon Social Media	Fountain Valley	Internet Service
Boeing Co	Huntington Beach	Aircraft-Manufacturers
Boeing Co	Seal Beach	Aerospace Industries (Mfrs)
Broadcom Corp	Irvine	Semiconductors & Related Devices (Mfrs)
California State-Fullerton	Fullerton	Schools-Universities & Colleges Academic
Disneyland Resort Anaheim	Anaheim	Amusement & Theme Parks
Emplcity	Irvine	Employment Contractors-Temporary Help
Fairview Developmental Center	Costa Mesa	Hospitals
First American Title Ins Co	Santa Ana	Title Companies
Hoag Hospital	Newport Beach	Alcoholism Information & Treatment Ctrs
Jones Lang La Salle	Brea	Real Estate Management
Puro Clean	Anaheim	Fire Damage Restoration
Quest Diagnostics	San Juan Capistrano	Laboratories-Medical
Quiksilver Eyeware USA	Huntington Beach	Optical Goods-Retail
St John Knits Intl Inc	Irvine	Women's Apparel-Retail
St Jude Medical Center	Brea	Hospitals
St Jude Medical Center	Fullerton	Hospitals
Tenet Healthcare	Fountain Valley	Hospitals
UC Irvine Healthcare	Orange	Hospitals
United Healthcare	Cypress	Health Plans
University of CA-Irvine	Irvine	Schools-Universities & Colleges Academic
Walt Disney Parks & Resorts	Anaheim	Amusement & Theme Parks
Women's Hospital-Saddleback	Laguna Hills	Hospitals

Source: State of California Employment Development Department, compiled from America's Labor Market Information System (ALMIS) Employer Database, 2014 1st Edition.

Construction Activity

The following table shows a five-year summary of the valuation of building permits issued in the City of Aliso Viejo.

**CITY OF ALISO VIEJO
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$18,755.2	\$23,472.0	\$15,811.1	\$24,360.9	\$28,847.5
New Multi-family	9,318.1	2,001.6	7,516.3	3,690.3	7,0352.0
Res. Alterations/Additions	<u>1,775.8</u>	<u>3,494.1</u>	<u>2,240.1</u>	<u>3,258.5</u>	<u>2,814.9</u>
Total Residential	29,849.1	28,967.7	25,567.5	31,309.7	102,014.4
New Commercial	4,357.1	0.0	0.0	2,059.2	10,882.2
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	2,959.6	44,471.1	2,462.9	0.0	524.0
Com. Alterations/Additions	<u>13,496.7</u>	<u>7,617.3</u>	<u>11,825.4</u>	<u>12,131.9</u>	<u>12,366.3</u>
Total Nonresidential	\$20,813.3	\$52,088.4	\$14,288.3	\$14,191.1	\$23,772.5
<u>New Dwelling Units</u>					
Single Family	59	93	59	105	102
Multiple Family	<u>55</u>	<u>14</u>	<u>50</u>	<u>21</u>	<u>35</u>
TOTAL	114	107	109	126	137

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows a five-year summary of the valuation of building permits issued in the City of Dana Point.

**CITY OF DANA POINT
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$24,439.6	\$12,926.8	\$15,505.8	\$12,484.4	\$13,759.1
New Multi-family	705.3	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>9,862.6</u>	<u>9,975.6</u>	<u>12,980.9</u>	<u>17,660.6</u>	<u>11,789.7</u>
Total Residential	35,007.5	22,902.4	28,486.7	30,145.0	25,548.8
New Commercial	0.0	0.0	0.0	0.0	3,376.8
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	7,028.3	5,069.3	2,952.4	0.0	0.0
Com. Alterations/Additions	<u>3,097.5</u>	<u>3,460.5</u>	<u>4,277.2</u>	<u>1,548.2</u>	<u>4,113.1</u>
Total Nonresidential	\$10,125.8	\$8,529.8	\$7,229.6	\$1,548.2	\$7,489.9
<u>New Dwelling Units</u>					
Single Family	24	12	14	14	13
Multiple Family	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	26	12	14	14	13

Source: Construction Industry Research Board, Building Permit Summary.

#6.

The following table shows a five-year summary of the valuation of building permits issued in the City of Laguna Hills.

**CITY OF LAGUNA HILLS
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$2,633.1	\$0.0	\$2,905.0	\$0.0	\$700.0
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>4,284.1</u>	<u>6,504.7</u>	<u>12,607.8</u>	<u>14,238.6</u>	<u>22,612.0</u>
Total Residential	6,917.3	6,504.7	15,512.8	14,238.6	23,312.0
New Commercial	0.0	0.0	0.0	0.0	11,447.9
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	5,487.3	3,465.6	4,174.9	0.0	0.0
Com. Alterations/Additions	<u>5,731.4</u>	<u>5,574.3</u>	<u>5,949.4</u>	<u>11,577.8</u>	<u>12,520.5</u>
Total Nonresidential	\$11,218.7	\$9,039.9	\$10,124.3	\$11,577.8	\$23,968.4
<u>New Dwelling Units</u>					
Single Family	4	0	3	0	1
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	4	0	3	0	1

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows a five-year summary of the valuation of building permits issued in the City of Laguna Niguel.

**CITY OF LAGUNA NIGUEL
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$16,575.8	\$22,730.9	\$15,700.9	\$3,442.0	\$7,315.7
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>16,431.5</u>	<u>15,341.8</u>	<u>12,443.1</u>	<u>12,256.7</u>	<u>19,572.2</u>
Total Residential	33,007.3	38,072.7	28,144.0	15,698.7	26,887.9
New Commercial	5,657.6	0.0	0.0	0.0	9,317.2
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,804.4	4,475.9	2,787.9	0.0	0.0
Com.		<u>2,927.8</u>			
Alterations/Additions	<u>9,193.3</u>		<u>4,659.4</u>	<u>11,896.0</u>	<u>4,782.0</u>
Total Nonresidential	\$21,655.3	\$7,403.7	\$7,447.3	\$11,896.0	\$14,099.2
<u>New Dwelling Units</u>					
Single Family	26	60	37	8	15
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	26	60	37	8	15

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows a five-year summary of the valuation of building permits issued in the City of Mission Viejo.

**CITY OF MISSION VIEJO
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$0.0	\$0.0	\$800.0	\$5,179.0	\$6,874.8
New Multi-family	0.0	0.0	0.0	558.0	45,953.0
Res. Alterations/Additions	<u>11,315.5</u>	<u>9,064.9</u>	<u>8,257.9</u>	<u>18,172.0</u>	<u>10,098.3</u>
Total Residential	11,315.5	9,064.9	9,057.90	23,909.0	62,926.1
New Commercial	2,168.0	12,505.5	0.0	4,500.0	11,512.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	4,012.8	3,393.2	2,746.1	900.0	0.0
Com. Alterations/Additions	<u>15,518.8</u>	<u>10,563.2</u>	<u>15,426.4</u>	<u>16,159.8</u>	<u>9,264.7</u>
Total Nonresidential	\$21,699.6	\$26,461.9	\$18,172.5	\$21,559.8	\$20,776.8
<u>New Dwelling Units</u>					
Single Family	0	0	1	38	48
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>334</u>
TOTAL	0	0	1	42	382

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows a five-year summary of the valuation of building permits issued in the County.

**ORANGE COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$475,736.0	\$437,832.0	\$492,529.5	\$518,681.8	\$752,931.2
New Multi-family	203,618.3	109,750.2	208,046.8	378,599.9	438,118.2
Res. Alterations/Additions	<u>358,355.5</u>	<u>307,610.4</u>	<u>328,830.0</u>	<u>450,105.3</u>	<u>363,854.8</u>
Total Residential	1,037,709.8	855,192.6	1,029,406.2	1,347,387.0	1,554,904.2
New Commercial	424,041.7	153,465.6	264,898.3	255,841.4	513,584.4
New Industrial	14,174.4	0.0	23,000.0	10,300	102,586.7
New Other	184,620.8	150,751.4	116,813.1	25,511.4	28,591.8
Com. Alterations/Additions	<u>816,284.5</u>	<u>648,267.8</u>	<u>747,216.7</u>	<u>896,906.9</u>	<u>697,630.6</u>
Total Nonresidential	\$1,439,121.4	\$952,484.7	\$1,151,928.1	\$1,188,559.7	\$1,342,393.5
<u>New Dwelling Units</u>					
Single Family	1,295	1,376	1,553	1,908	2,438
Multiple Family	<u>1,864</u>	<u>824</u>	<u>1,538</u>	<u>2,897</u>	<u>3,725</u>
TOTAL	3,159	2,200	3,091	4,805	6,163

Source: Construction Industry Research Board, Building Permit Summary.

#6.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County, the State of California and the United States for the period 2008 through 2012.

ORANGE COUNTY, STATE OF CALIFORNIA & UNITED STATES Effective Buying Income 2008 through 2012

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (in Thousands)</u>	<u>Median Household Effective Buying Income</u>
2008	Orange County	\$78,347,278	\$58,979
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Orange County	\$79,478,835	\$61,470
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	Orange County	\$75,063,558	\$57,849
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Orange County	\$76,315,505	\$57,607
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	Orange County	\$81,079,398	\$57,181
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc.

\$ _____
**MOULTON NIGUEL WATER DISTRICT
2014 CONSOLIDATED REFUNDING BONDS**

BOND PURCHASE AGREEMENT

_____, 2014

Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, California 92677

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) offers to enter into this agreement (this “Bond Purchase Agreement”) with the Moulton Niguel Water District (the “District”) which, upon your acceptance of this offer, will be binding upon you and upon the Underwriter. This offer is made subject to your acceptance of this Bond Purchase Agreement on or before 11:59 p.m., California time, on _____, 2014 and, if this Bond Purchase Agreement is not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to your office at any time prior to acceptance hereof by you.

The District acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction between the District and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the District; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the District with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the District or affiliates of the District on other matters); or (y) any other obligation to the District except the obligations expressly set forth in this Bond Purchase Agreement; and (iv) the District has consulted with its own legal and financial advisor to the extent it has deemed appropriate in connection with the offering of the Bonds.

1. **Purchase and Sale of Bonds.** Upon the terms and conditions and upon the basis of the representations and warranties set forth herein, the Underwriter hereby agrees to purchase from the District, and the District hereby agrees to sell to the Underwriter, an aggregate principal amount of \$_____ of the Moulton Niguel Water District 2014 Consolidated Refunding Bonds (the “Bonds”). The aggregate purchase price to be paid by the Underwriter for the Bonds shall be \$_____ (being the principal amount of the Bonds, [plus/less original issue premium/discount of \$_____] and less the Underwriter’s discount of \$_____) (such payment and delivery and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the “Closing”).

The Bonds shall be dated the date of delivery thereof and shall have the maturities and bear interest at the rates per annum shown in Appendix A hereto.

2. **The Official Statement; Continuing Disclosure.** The District hereby ratifies the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement of the District, dated _____, 2014, relating to the Bonds (the “Preliminary Official Statement”) in connection with the public offering of the Bonds. The District confirms that, as of its date, the Preliminary Official Statement was “deemed final” by it for purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission (the “Rule”). The District hereby agrees to execute a final official statement of the District relating to the Bonds

(the "Official Statement"), which will consist of the Preliminary Official Statement with such changes as may be made thereto to reflect the final terms of the Bonds.

The District agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with the Rule and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The District agrees to deliver such Official Statements within seven business days after the execution of this Bond Purchase Agreement. The District hereby authorizes the Underwriter to use and distribute the Official Statement, and all other documents, certificates and statements furnished by them to the Underwriter in connection with the transaction contemplated by this Bond Purchase Agreement, in connection with the offer and sale of the Bonds.

Prior to the earlier of (i) receipt of notice from the Underwriter that Official Statements are no longer required under the Rule or (ii) 25 days after the End of the Underwriting Period (as defined below), the District shall provide the Underwriter with such information regarding the District, its current financial condition and ongoing operations as the Underwriter may reasonably request. The term "End of the Underwriting Period" means the later of (i) the Closing Date (as defined below), or (ii) the date the Underwriter does not retain directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be in written form and delivered to the District at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

The Underwriter agrees to file a copy of the Official Statement with the Municipal Securities Rulemaking Board.

The District will undertake, pursuant to a Continuing Disclosure Certificate, dated _____, 2014 (the "Continuing Disclosure Certificate"), to provide certain annual financial and operating data and notices of certain enumerated events.

3. **The Bonds.** The Bonds shall be described in, and shall be issued and secured under the provisions of an Indenture of Trust, dated as of February 1, 2014 (the "Indenture"), by and between the District and U.S. Bank National Association (the "Trustee"). The Bonds are being issued pursuant to Sections 36060 *et seq.* and Sections 36447 *et seq.* of the California Water Code, and pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. The Bonds constitute the consolidated several obligations of Improvement District No. 6 of the District and Improvement District No. 7 of the District (individually, an "Improvement District," and collectively, the "Improvement Districts"). The District hereby authorizes the Underwriter to use and distribute the Indenture, the Continuing Disclosure Certificate and the information contained in such documents in connection with the public offering and the sale of the Bonds.

The Bonds are being issued to (a) refund the Moulton Niguel Water District 2003 Consolidated Refunding Bonds (the "Refunded Bonds"), and (b) pay costs of issuance relating to the Bonds.

4. **Representations, Warranties and Agreements of the District.** The District represents and warrants to, and covenants and agrees with, the Underwriter that:

(a) **Due Organization.** The District was organized in November 1960 under the provisions of the California Water District Law (Division 13 of the California Water Code); the District has, and at the time of the Closing will have, full legal right, power and authority (i) to execute and enter into this Bond Purchase Agreement, the Indenture and the Continuing Disclosure

Certificate, (ii) to issue, sell, execute and deliver the Bonds to the Underwriter pursuant to the Constitution and laws of the State, particularly Sections 36060 *et seq.* and Sections 36447 *et seq.* of the California Water Code and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and (iii) to carry out and to consummate the transactions contemplated by, and to perform all of its obligations under, this Bond Purchase Agreement, the Indenture, the Continuing Disclosure Certificate and the Official Statement.

(b) *Due Authorization, Execution and Delivery.* The District has (i) duly authorized and approved the Official Statement, (ii) duly authorized and approved the execution and delivery of, and performance by the District of its obligations under, the Bonds, this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate, (iii) duly authorized and approved the consummation by the District of the transactions contemplated by the Official Statement, and (iv) through its Board of Directors, duly adopted a Resolution (the “District Resolution”) approving the issuance of the Bonds and the execution and delivery of this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate.

(c) *Due Execution and Delivery of Bonds.* At or prior to the Closing Date, the Bonds, this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate will have been duly executed and delivered by the District and, assuming due execution and delivery by the other respective parties thereto, each of them will constitute legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except to the extent that the enforceability may be limited by bankruptcy or other laws affecting the rights of creditors generally and except that equitable remedies lie in the discretion of the court and may not be available.

(d) *No Conflicts.* The issuance, sale, execution and delivery of the Bonds, the execution and delivery of this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate and the adoption of the District Resolution and compliance with the provisions of each thereof do not and will not violate or constitute a breach of or default under any applicable constitution, law or administrative regulation of the State or the United States or any applicable judgment or decree or any agreement, indenture, commitment, contract or other instrument to which the District is a party or is otherwise subject.

(e) *Official Statement.* The Preliminary Official Statement does not, and the Official Statement as of the date hereof and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein in light of the circumstances under which they were made, not misleading; provided, however, that no representation or warranty is made with respect to any information relating to The Depository Trust Company included therein. The District Resolution, the Bonds, the Indenture and the Continuing Disclosure Certificate will, at the Closing, conform in all material respects to the descriptions thereof in the Official Statement. The financial data relating to the District and the financial statements of the District contained in the Official Statement fairly present, and as of the Closing Date will fairly present, the financial condition and results of the operation of the District at the dates and for the periods therein specified in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements of the District.

(f) *Covenant to Notify.* If, at any time prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 2 hereof that Official Statements are no longer required to be delivered under the Rule, or (ii) 25 days after the End of the Underwriting Period, any event occurs of which the District has knowledge as a result of which the Official Statement as then amended or

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supplemented might include an untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter in writing of such event, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense supplement or amend the Official Statement in a form and manner approved by the Underwriter. Any information supplied by the District for inclusion in any amendments or supplements to the Official Statement will not contain any untrue or misleading statement of a material fact required to be stated therein or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) *No Other Debt.* Between the date of this Bond Purchase Agreement and the Closing Date, except as described in or contemplated by the Official Statement, the District will not, without the prior written consent of the Underwriter, issue any bonds, notes or other obligations on its behalf or on behalf of Improvement Districts.

(h) *No Litigation.* Except as described in the Official Statement, no action, suit, proceeding, investigation or litigation of any nature is now pending against the District or, to the best of the District's knowledge, threatened against the District in any court or before any governmental agency:

(i) restraining or enjoining, or seeking to restrain or enjoin, the issuance, sale, execution or delivery of the Bonds;

(ii) in any way contesting or affecting (A) the validity or enforceability of the Bonds, (B) any proceedings of or on behalf of the District taken with respect to the issuance or sale of the Bonds, (C) the adoption of the District Resolution or the execution and delivery of the Indenture or the Continuing Disclosure Certificate, (D) the pledge of the ad valorem assessments and other funds under the Indenture, as described in the Official Statement, or (E) the existence or powers of the District; or

(iii) in any manner questioning (A) the proceedings or authority for the issuance of the Bonds, (B) any provision made or authorized for the payment of the Bonds, (C) the existence of the District, or (D) the power of the District to issue the Bonds.

None of the District's proceedings or authority for the issuance, sale, execution and delivery of the Bonds, or the execution and delivery of this Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, or the adoption of the District Resolution has been repealed, modified, amended, revoked or rescinded.

(i) *Blue Sky.* The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, as the Underwriter may reasonably request, to qualify the Bonds for offer and sale under the Blue Sky or securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the District shall not be required to consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(j) *No Consents Required.* All approvals and consents which would constitute a condition precedent to the performance by the District of its obligations hereunder and under the District Resolution, the Bonds, the Indenture and the Continuing Disclosure Certificate have been

obtained and are in full force and effect. No other authorization, consent or approval of, or filing or registration with, any governmental authority or court is, or under existing requirements of law will be, necessary for the valid execution and delivery of, or performance by the District of its obligations under, this Bond Purchase Agreement, the District Resolution, the Bonds, the Indenture and the Continuing Disclosure Certificate, other than any authorization, consent, approval, filing or registration as may be required under the Blue Sky or securities laws of any state in connection with the offering, sale or issuance of the Bonds. All authorizations, consents or approvals of, or filings or registrations with any governmental authority or court necessary for the valid issuance of, and performance by the District of its obligations under, the Bonds will have been duly obtained or made prior to the issuance of the Bonds (and disclosed to the Underwriter).

(k) *No Defaults.* The District (including the Improvement Districts) has not, since its creation, been declared to be in default in the payment of principal of, premium, if any, or interest on, or otherwise been declared to be in default with respect to, any bonds which it has issued.

(l) Since July 1, 2013, the District has not taken any official action with regard to the sale of a substantial amount of its assets, operations or a combination of its assets or operations.

(m) *Certificates.* Any certificate signed by any official of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the truth and statements therein contained.

(n) *Conformity.* The Bonds will be issued in accordance with the Indenture and will conform in all material respects to the descriptions thereof contained in the Official Statement.

(o) *Continuing Disclosure.* Except as set forth in the Official Statement, the District has not failed to comply in all material aspects with any previous undertakings with regard to the Rule to provide annual reports or notices of specific events in the preceding five years.

5. **Closing.** Except as the District and the Underwriter may otherwise agree, the District will deliver to the Underwriter, at the offices of Jones Hall, A Professional Law Corporation, in San Francisco, California, or at such other location as may be mutually agreed upon by the District and the Underwriter, the documents hereinafter mentioned and the District will deliver to the Underwriter through the facilities of The Depository Trust Company (“DTC”) or, if pursuant to a “Fast Automated Securities Transfer” delivery, to the Trustee, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed in the manner provided for in the Indenture at 8:00 a.m. California time, on _____, 2014 (the “Closing Date”), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 2 this Bond Purchase Agreement in immediately available funds. The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

6. **Conditions to Closing.** The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and covenants of the District contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter’s obligation under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing and shall also be subject to the following conditions:

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(a) The representations and warranties of the District contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the Closing Date, as if made on the Closing Date; and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the Closing Date; the District shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement (unless such agreements are waived by the Underwriter); and there shall not have occurred an adverse change in the financial position, results of operations or financial condition of the District which materially adversely affects the ability of the District to pay interest or principal with respect to the Bonds when due or to otherwise perform any of its obligations under the Indenture.

(b) On the Closing Date, the Official Statement, the District Resolution, the Indenture, the Continuing Disclosure Certificate and this Bond Purchase Agreement shall be in full force and effect, and shall not have been amended, modified or supplemented (except as may be agreed to in writing by the Underwriter); all actions which, in the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and the District shall perform or have performed its obligations required under or specified in this Bond Purchase Agreement, the Official Statement, the Indenture and the Continuing Disclosure Certificate to be performed at or prior to the Closing.

(c) On the Closing Date, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that no representation or warranty is made with respect to any information relating to The Depository Trust Company included therein.

(d) (i) No default by the District shall have occurred and be continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued by the District, and (ii) no bankruptcy, insolvency or other similar proceeding in respect of the District, shall be pending or to the knowledge of the District contemplated.

(e) The Underwriter shall have the right to terminate its obligations under this Bond Purchase Agreement to purchase, accept delivery of and pay for the Bonds by notifying the District of its election to do so if, after the execution hereof and prior to the Closing, regardless of whether any of the following statements of fact were in existence or known of on the date of this Bond Purchase Agreement:

(i) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or the State or by any federal or State legislation or the promulgation of any rule or regulation thereunder or by any decision of any federal or State court or by any ruling or regulation (final, temporary or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority, affecting (1) the tax status of the District, its property or income or its obligations (including the Bonds), (2) the tax status of the interest on the Bonds, (3) any tax exemption granted or authorized by any other law, or (4) the validity of the Bonds, the Indenture or the Continuing Disclosure Certificate;

(ii) the United States shall have become engaged in hostilities or there shall have been an escalation in hostilities, or a national emergency or the President of the United

States of America shall have committed the armed forces of the United States of America to combat so as to adversely affect the financial markets in the United States of America and in the reasonable opinion of the Underwriter materially adversely affects the market for the Bonds;

(iii) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium shall have been declared by the United States, New York State or State authorities having jurisdiction and being in force;

(iv) there shall have occurred any material adverse change in the condition, financial or otherwise, or in the results of operations of the District which in the reasonable opinion of the Underwriter materially adversely affects the market for the Bonds;

(v) legislation shall have been enacted or actively considered for enactment or introduced, with an effective date prior to the Closing Date, or a decision by a court of the United States shall be made, the effect of which is that the offering or sale of the Bonds as contemplated herein is or would be in violation of the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) a stop order, ruling or regulation by the Securities and Exchange Commission shall be issued or made the effect of which is that the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, of the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect.

(f) At or prior to the Closing, the Underwriter shall have received the following documents:

(i) The Official Statement executed on behalf of the District by an authorized officer thereof.

(ii) The District Resolution certified by an authorized officer of the District as having been duly adopted by the Board of Directors of the District and as being in effect, without amendment or supplement, on the Closing Date, the Indenture duly executed by the District and the Trustee, and the Continuing Disclosure Certificate duly executed by the District and U.S. Bank National Association, as dissemination agent.

(iii) The unqualified opinion, dated the Closing Date and addressed to the District, of Jones Hall, A Professional Law Corporation, Bond Counsel, in substantially the form attached to the Official Statement as APPENDIX E, together with a letter or letters from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion had been addressed to it.

(iv) A letter of Jones Hall, A Professional Law Corporation, as disclosure counsel ("Disclosure Counsel"), dated the Closing Date, and addressed to the District and the Underwriter, to the effect that, during the course of serving as Disclosure Counsel in

connection with the execution and delivery of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Official Statement (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Official Statement, information relating to DTC and its book-entry only system and the appendices to the Official Statement as to which no opinion need be expressed), as of the date thereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) The opinion, dated the Closing Date and addressed to the Underwriter, of Jones Hall, A Professional Law Corporation, Bond Counsel, to the effect that: (A) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (B) the descriptions contained in the Official Statement, as of its date, under the captions “INTRODUCTION,” “THE BONDS,” “PLAN OF REFUNDING,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” (excluding any descriptions that may be treated as included under such captions by cross reference), the statements of law made in the Official Statement under the caption “CONCLUDING INFORMATION – Tax Matters” and the descriptions contained in Appendix B to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds, the District Resolution, the Indenture, the Continuing Disclosure Certificate and the opinion of said firm concerning certain federal and California tax matters relating to the Bonds, are accurate in all material respects, and (C) the Refunded Bonds have been defeased and are deemed to be no longer outstanding under the instrument pursuant to which they were issued and all obligations of the District under such instrument have ceased, terminated, been discharged and satisfied.

(vi) The opinion, dated the Closing Date and addressed to the Underwriter, of Bowie, Arneson, Wiles & Giannone, District Counsel, to the effect that (A) the District is a California water district duly organized and existing under and by virtue of the California Water District Law, constituting Division 13 of the California Water Code, and the Constitution and laws of the State, (B) the District and has all necessary power and authority to enter into and perform its obligation under the Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate, and the Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate constitute valid and binding obligations of the District enforceable in accordance with their respective terms, (C) District’s execution and delivery of the Bonds, the Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate and the performance by the District of its obligations contained therein, and the District’s execution and delivery of the Official Statement, will not and do not conflict with, or constitute a breach of or default under, the District’s duties under said documents or, to the best of such counsel’s knowledge, any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, to which the District is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the District’s ability to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, nor will any such execution, delivery or performance result in the creation or imposition of any lien, charge or other

security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture, (D) except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate or the execution, delivery, issuance and sale of the Bonds or the consummation by the District of the other transactions contemplated by the Bond Purchase Agreement, (E) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or governmental agency, public board or body pending, or to such counsel's knowledge threatened, against the District affecting the existence of the District or challenging the title of any director or officer of the District to their respective offices, or seeking to prohibit, restrain or enjoin the execution or delivery of the Bonds, or the collection of the assessments pledged pursuant to the Indenture, or the pledge thereof or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, or in any way contesting the powers of the District or its authority to enter into or perform its obligations under any of the foregoing, or contesting in any way the completeness, accuracy or fairness of the Official Statement, or in which a final adverse decision could materially adversely affect the ability of the District to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, (F) to the best of such counsel's knowledge, the District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument, to which the District is a party or is otherwise subject, which breach or default could have a material adverse effect upon the District's ability to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which default or event of default could have a material adverse effect upon the District's ability to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, (G) the District Resolution was duly adopted at a meeting of the Board of Directors of the District, and (H) the information contained in the Preliminary Official Statement under the caption "MOULTON NIGUEL WATER DISTRICT - Litigation" as of its date was, and in the Official Statement under the caption "MOULTON NIGUEL WATER DISTRICT - Litigation" as of its date was, true and correct in all material respects.

(vii) A certificate, dated the Closing Date and signed by an authorized officer of the District, to the effect that:

(A) the representations and warranties of the District contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(B) none of the proceedings or authority for the issuance, sale, execution and delivery of the Bonds, the execution and delivery of this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate or

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the adoption of the District Resolution has been repealed, modified, amended, revoked or rescinded;

(C) subsequent to June 30, 2013 and prior to the Closing Date, there have been no material adverse changes in the financial position of the District; and

(D) no event affecting the District (or the Improvement Districts) has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(viii) A Certificate as to Arbitrage and Certificate Regarding Use of Proceeds of the District, in form and substance satisfactory to the Underwriter and Jones Hall, A Professional Law Corporation, Bond Counsel.

(ix) A certificate of the Trustee, dated the Closing Date and signed by a duly authorized officer of the Trustee, and in form and substance satisfactory to the Underwriter, to the effect that (A) the Trustee has been duly organized and is validly existing in good standing as a banking association under the laws of the United States with full corporate power to undertake the trusts of the Indenture and the duties under the Continuing Disclosure Certificate, (B) the Trustee has duly executed and delivered the Indenture and the Continuing Disclosure Certificate and by all proper corporate action has authorized the acceptance of the trusts of the Indenture, (C) the Bonds have been validly authenticated and delivered by the Trustee, and (D) no litigation has been served upon or, to the best knowledge of the Trustee, is threatened (either in state or Federal courts) (i) to restrain or enjoin the execution or delivery of the Bonds, or (ii) in any way contesting or affecting any authority for the execution or delivery of the Bonds or the validity or enforceability of the Bonds, the Indenture or the Continuing Disclosure Certificate.

(x) An opinion of counsel to U.S. Bank National Association, dated the Closing Date, addressed to the Underwriter and the District to the effect that (A) U.S. Bank National Association is a national banking association duly organized and validly existing under the laws of the United States of America having full power and being qualified to enter into, accept and agree to the provisions of the Indenture and the Continuing Disclosure Certificate, (B) Indenture and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by U.S. Bank National Association and, assuming due execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of U.S. Bank National Association, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, (C) the acceptance by U.S. Bank National Association of its duties and obligations under the Indenture and the Continuing Disclosure Certificate and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which U.S. Bank National Association is subject, except where such breach or default would not have a material adverse effect on U.S. Bank National Association's ability to perform its obligations under the Indenture and the Continuing Disclosure Certificate, and (D) no authorization, consent or other order of any State or federal government authority or agency having jurisdiction in the matter is required to be

obtained by U.S. Bank National Association for the valid execution or delivery of the Indenture and the Continuing Disclosure Certificate, or for the performance by U.S. Bank National Association of its obligations under the Indenture and the Continuing Disclosure Certificate.

(xi) Evidence that the Bonds have been assigned a rating “_____” by both Standard & Poor’s Ratings Services and Fitch Ratings.

(xii) Evidence of compliance by the District with previous continuous disclosure undertakings pursuant to the Rule for the preceding five years.

(xiii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Jones Hall, A Professional Law Corporation, Bond Counsel, may reasonably request.

All of the opinions, letters, certificates, instruments and other documents mentioned above shall be deemed to be in compliance with the provisions hereof if, and only if, they are in form and substance satisfactory to the Underwriter.

If the District shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Bond Purchase Agreement, or if the obligation of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate, and neither the Underwriter nor the District shall be under further obligation hereunder except that the respective obligations of the District and the Underwriter set forth in Section 7 hereof shall continue in full force and effect.

7. **Expenses.** (a) The Underwriter shall be under no obligation to pay, and the District shall pay, any expenses relating to the performance of the District’s obligations hereunder, including, but not limited to: (i) the cost of the preparation, printing and delivery of the District Resolution, the Indenture, the Continuing Disclosure Certificate, the Preliminary Official Statement and the Official Statement, (ii) the cost of the preparation and printing of the Bonds, (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel and District Counsel, (iv) the fees and disbursements of the District’s accountants, advisers and of any other experts or consultants retained by the District, (v) the fees and disbursements of the Trustee, (vi) the fees of The Depository Trust Company, if any, (vii) any separate fees of the rating agencies, and (viii) the costs of obtaining CUSIP numbers.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds, (ii) the fees and disbursements of its counsel, and (iii) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds.

8. **Notices.** Any notice or other communication to be given to the District under this Bond Purchase Agreement may be given by delivering the same in writing to Moulton Niguel Water District, 27500 La Paz Road, Laguna Niguel, California 92677, Attention: Director of Finance/Treasurer and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, 515 South Figueroa Street, Suite 1800, Los Angeles, California 90071, Attention: Jose Vera.

9. **Parties of Interest; Survival of Representations and Warranties.** This Bond Purchase Agreement is made solely for the benefit of the District and the Underwriter, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the District’s representations, warranties

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and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of (i) any investigations made by or on behalf of the Underwriter, (ii) delivery of any payment for the Bonds pursuant to this Bond Purchase Agreement, and (iii) any termination of this Bond Purchase Agreement.

10. ***Effective Date.*** This Bond Purchase Agreement shall become effective upon the execution of the acceptance hereof by the District, and shall be valid and enforceable as of the time of such acceptance.

11. ***Applicable Law.*** This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed within such State.

12. **Execution in Counterparts.** This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____
Title: _____

Accepted as of the date first above mentioned:

MOULTON NIGUEL WATER DISTRICT

By: _____
Title: _____

Date: _____
Time: _____

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APPENDIX A

MATURITIES, AMOUNTS AND INTEREST RATES

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
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Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** January 15, 2014

FROM: Matt Collings, Assistant General Manager
Megan Geer, Contracts and Procurement Manager
Doug Zytkevicz, Superintendent Customer Service

SUBJECT: Updated Meter Sales Pricing

SUMMARY:

Issue: The pricing for meter packages sold to outside contractors must be updated in order to recover the District's costs of purchasing the meters and components.

Recommendation: This is an information only. Future actions will occur in February.

Fiscal Impact: The current meter package pricing is resulting in a cost deficit to the District. Charging a pass-through cost of the District's actual purchase price of the meter packages to outside contractors will enable the District to recoup its meter costs. This pass-through cost will include only the price paid by the District to the meter manufacturers with no additional fees or charges added.

BACKGROUND:

The District sells approximately 150 meter packages per year to outside contractors. These packages consist of meters and associated components for both residential and commercial applications. The cost of the meter packages vary based on the meter size. Most of the meter packages sold are for new construction of single family homes within the District.

In December 2013, staff conducted a review of these meter packages in order to determine whether the current meter sale prices enabled the District to recover its costs. Through this review, it was determined that the meter package prices do not reflect the current cost the District pays for the meters and components, and in fact, meters are being sold below their actual price.

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The prices currently charged by the District were last approved by the Board in 2008, reflecting the 2008 meter manufacturer prices. Table 1 contains the meter pricing based on the 2008 Board approval.

DISCUSSION:

There have been significant increases to the cost of meters and components since 2008. Additionally, the cost of the meter packages have further increased due to the inclusion of ball valves for the 1 ½” and 2” meters. The ball valves are a necessary component, but were not previously included in the 1 ½” and 2” meter packages. Table 2 lists the proposed prices for meter packages. These prices are based on recently received quotes from meter vendors for the meters that the District recently ordered, and are firm through July 1, 2014. As the District receives new meter quotes, the pricing of meter packages will be reevaluated and presented to the Board as necessary.

Staff is proposing to place a Resolution on the February 20th Board Meeting agenda approving the proposed pricing for the meter packages. At least two weeks prior to action by the Board of Directors, staff will need to provide a public notice by posting on the District’s website and at the main entrance of the office. Staff has been coordinating with legal counsel to finalize the necessary Board Resolution and public notices. Postings are anticipated to occur the first week of February.

Attachments: Table 1: 2008 Meter Pricing
Table 2: 2014 Proposed Meter Pricing

Table 1: 2008 - Current Meter and Component Charges						
	¾" Domestic Meter	1" Domestic Meter	1 ½" Domestic Meter	2" Domestic Meter	1 ½" Irrigation Meter	2" Irrigation Meter
Complete Package	\$195.00	\$250.00	\$425.00	\$525.00	\$650.00	\$775.00
Individual Components						
Gaskets (2)	\$0.50	\$0.80	\$2.40	\$3.16	\$2.40	\$3.16
Nuts & Bolts (4)	N/A	N/A	\$10.89	\$16.07	\$10.89	\$16.07
Concrete Box	\$15.50	\$15.50	\$33.00	\$33.00	\$33.00	\$33.00
Polymer Lid	\$30.00	\$30.00	\$60.00	\$60.00	\$60.00	\$60.00
Box & Lid	\$45.50	\$45.50	\$93.00	\$93.00	\$93.00	\$93.00
Diamond Plate Cast Iron Lid	\$70.00	\$70.00	\$120.00	\$120.00	\$120.00	\$120.00
Touchread/Pit Lid (TR/PL)	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Ball Valve	\$23.00	\$57.00	N/A	N/A	N/A	N/A
Meter Only	\$133.20	\$180.60	\$340.71	\$434.77	\$565.71	\$684.77

Table 2: 2014 Proposed Meter and Component Charges						
	¾" Domestic Meter	1" Domestic Meter	1 ½" Domestic Meter	2" Domestic Meter	1 ½" Irrigation Meter	2" Irrigation Meter
Complete Package	\$193.18	\$304.53	\$1,448.13	\$1,712.72	\$1,095.51	\$1,330.57
Individual Components						
Gaskets (2)	\$0.23	\$0.28	\$0.98	\$1.67	\$0.98	\$1.67
Nuts & Bolts (4)	N/A	N/A	NUTS \$1.62 ea BOLTS \$2.87 ea \$4.49 \$4.49 X 4 = \$17.96	NUTS \$2.59 ea BOLT \$2.91 ea \$5.50 \$5.50 X 4 = \$22.00	NUTS \$1.62 ea BOLTS \$2.87 ea \$4.49 \$4.49 X 4 = \$17.96	NUTS \$2.59 ea BOLTS \$2.91 ea \$5.50 \$5.50 X 4 = \$22.00
Concrete Box	\$14.31	\$14.31	\$79.39	\$79.39	\$79.39	\$79.39
Polymer Lid	\$27.28	\$27.28	\$51.72	\$51.72	\$51.72	\$51.72
Box & Lid	\$41.59	\$41.59	\$131.11	\$131.11	\$131.11	\$131.11
Diamond Plate Cast Iron Lid	\$89.02	\$89.02	\$83.00	\$83.00	\$83.00	\$83.00
Touchread/Pit Lid (TR/PL)	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Ball Valve	\$20.50	\$98.91	\$166.00	\$254.00	\$166.00	\$254.00
Meter Only	\$115.86	\$148.75	\$1,117.08	\$1,288.94	\$764.46	\$906.79

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF DECEMBER 2013**

GENERAL FUND TOTAL \$ 4,356,869

RESTRICTED FUNDS

SELF INSURANCE FUND	\$	80	
WBBRS EFFICIENCY FUND		57,802	
REPLACEMENT & REFURBISHMENT FUND		817,322	
PLANNING & CONSTRUCTION FUND		121,091	
TOTAL RESTRICTED FUNDS			996,294

TOTAL DISBURSEMENTS ALL FUNDS \$ 5,353,163

The major expenditures for December 2013 include the following:

1. Municipal Water District of Orange County (MWDOC)			
October Water Purchases AF 2587.3			\$ 2,199,852
October Capacity Charge			22,913
October RTS Charges			120,510
October SCP Operation Surcharge			13,313
O&M for East Orange County Feeder			61,186
			<u>\$ 2,417,774</u>
2. Paulus Engineering Inc.			
C#2010.003 Kite Hill Relocation PP #1			\$ 110,533
3. Sanders Paving Inc.			
Asphalt & Concrete Repairs Throughout The District			\$ 60,900
4. SOCWA			
2nd Quarter Capital Expenditures FY 2013/2014			\$ 681,740
5. South Coast Water District			
1st Installment LAFCO Agreement			\$ 150,750

