



moulton niguel water district

**BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
26880 Aliso Viejo Pkwy, Suite 150, Aliso Viejo
October 10, 2019
6:00 PM
Approximate Meeting Time: 2 Hours**

THIS BOARD MEETING WILL INCLUDE TELECONFERENCING AT THE FOLLOWING LOCATION: 12025 CEDAR SHORE ROAD, ELLISON BAY, WISCONSIN

1. CALL MEETING TO ORDER:

2. PLEDGE OF ALLEGIANCE:

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.

PRESENTATIONS:

4. QUARTERLY INVESTMENT REPORT - CHANDLER ASSET MANAGEMENT

CONSENT CALENDAR ITEMS:(Items on the Consent Calendar have been discussed at the regularly scheduled Administrative and Technical Committee meetings) (ROLL CALL VOTE)

Consent items: Unless the General Manager or the Board requests that an item be removed from the Consent Calendar, all items will be acted upon as a whole and by one vote. Requests for discussion of any specific item should be made to the Presiding Officer in conjunction with the discussion of the consent motion.

5. MINUTES OF THE SEPTEMBER 12, 2019 BOARD OF DIRECTORS MEETING

6. MINUTES OF THE SEPTEMBER 26, 2019 BOARD OF DIRECTORS MEETING

7. CONSTRUCTION CONTRACT AWARD FOR SOUTHERLY TAKEOUT REHABILITATION

It is recommended that the Board of Directors award the construction services contract to Kingmen Construction in the amount of \$494,914; authorize the General Manager or Assistant General Manager to execute the contract; and to approve change orders up to 10% of the contract value.

ADMINISTRATIVE MATTERS (ROLL CALL VOTE):

8. 2019 CERTIFICATES OF PARTICIPATION NEW MONEY ISSUANCE

It is recommended that the Board of Directors approve the resolution entitled, “Approving, Authorizing, and Directing Execution of Certain Installment Sale Financing Documents, Approving Sale of Certificates of Participation, Approving Preliminary Official Statement, and Authorizing and Directing Certain Actions with Respect Thereto.”

9. AMI PHASE III APPROVAL

It is recommended that the Board of Directors:

1. Authorize the purchase of Sensus MXU radio transceivers to complete Phase III AMI for the total cost not to exceed \$4,795,111; and authorize the General Manager or Assistant General Manager to approve change orders up to 10% of the total cost.
2. Approve the agreement with Ferguson for AMI radio installation services and authorize the General Manager or Assistant General Manager to execute the agreement for a not to exceed cap of \$1,148,092, and to approve amendments up to 10% of the contract value.

INFORMATION ITEMS:

10. MONTHLY FINANCIAL REPORT
11. CITIZENS’ ADVISORY COMMITTEE UPDATE
12. SMART TIMER PROGRAM UPDATE

GENERAL MANAGER MATTERS:(Brief general updates on District matters and/or brief general updates from staff - Informational purposes only.)

BOARD REPORTS:

PRESIDENT'S REPORT:

FUTURE AGENDA ITEMS (Any items added under this section are for discussion at future meetings only.):

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, 26880 Aliso Viejo Parkway, Suite 150, Aliso Viejo, 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.

Moulton Niguel Water District

Period Ending September 30, 2019

CHANDLER ASSET MANAGEMENT, INC. | 800.317.4747 | www.chandlerasset.com

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Section 1 | Consolidated Information

Objectives

Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into three categories, the Liquid, Limited Maturity and Operating Reserve Funds. The investment goals of the Liquid and Limited Maturity Funds are to provide liquidity for operating expenses and current capital requirements, preserve principal and 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 Objective

The performance objective for the Liquid Fund is to earn a return in excess of the return of the ICE BAML 3-Month US Treasury Bill Index..

The performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the ICE BAML 0-3 Yr US Treasury Index.

The performance of the Operating Reserve Fund is 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 (ICE BAML 1-10 Yr Treasury/Agency Index).

Bond Reserves: To earn a commensurate rate of return over market cycles while ensuring compliance with the District's indentured funds.

Strategy

The Liquid Fund is invested in short term securities and LAIF in order to achieve its goals. 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 the goals of the Limited Maturity and Operating Reserve Funds, they are invested in a diversified portfolio of high quality fixed income securities with a maximum maturity if ten years. No more than 40% of the fund may be invested in securities with maturities in excess of five years in the Operating Reserve Fund.

Portfolio Characteristics

As of September 30, 2019

Moulton Niguel Water District Bond Reserves

	9/30/2019 Portfolio	6/30/2019 Portfolio
Average Maturity (yrs)	2.49	2.74
Modified Duration	2.38	2.62
Average Purchase Yield	1.90%	1.90%
Average Market Yield	1.66%	1.81%
Average Quality*	AA+/Aaa	AA+/Aaa
Total Market Value	1,321,661	1,310,742

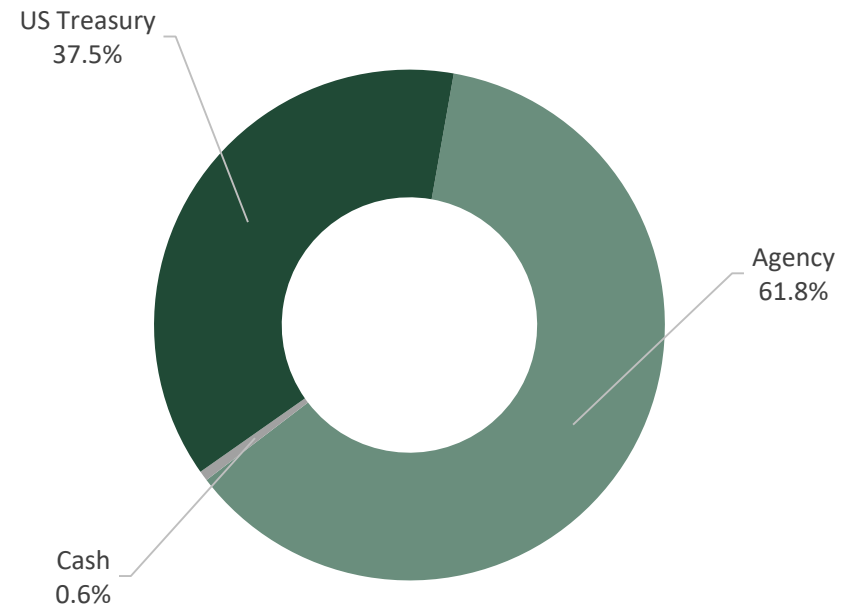
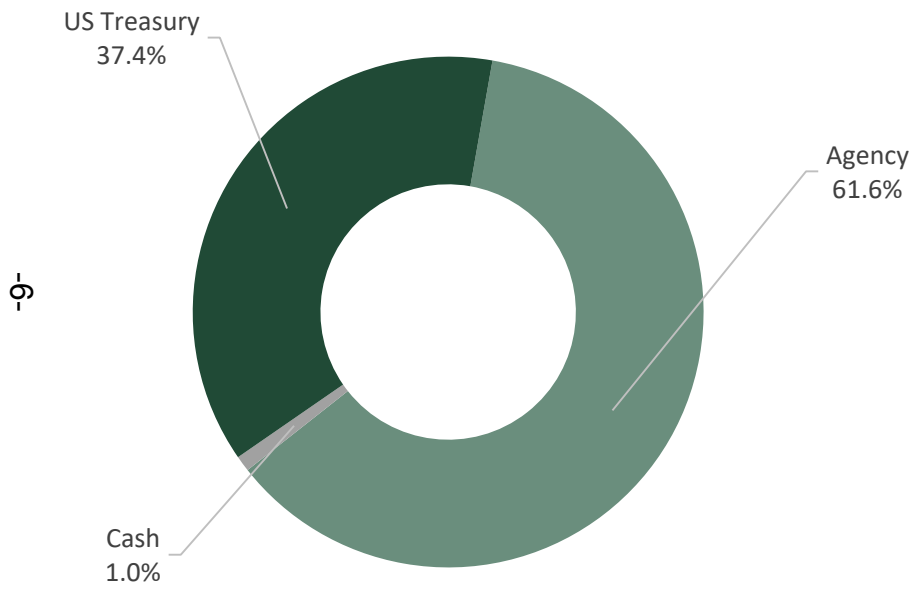
**Portfolio is S&P and Moody's, respectively.*

Sector Distribution

Moulton Niguel Water District Bond Reserves

September 30, 2019

June 30, 2019



\$

Portfolio Characteristics

As of September 30, 2019

Moulton Niguel Water District Consolidated

	9/30/2019 Portfolio	6/30/2019 Portfolio
Average Maturity (yrs)	3.31	2.73
Modified Duration	3.03	2.39
Average Purchase Yield	2.45%	2.40%
Average Market Yield	1.85%	2.01%
Average Quality*	AA/Aa1	AA+/Aa1
Total Market Value	103,134,211	124,094,829

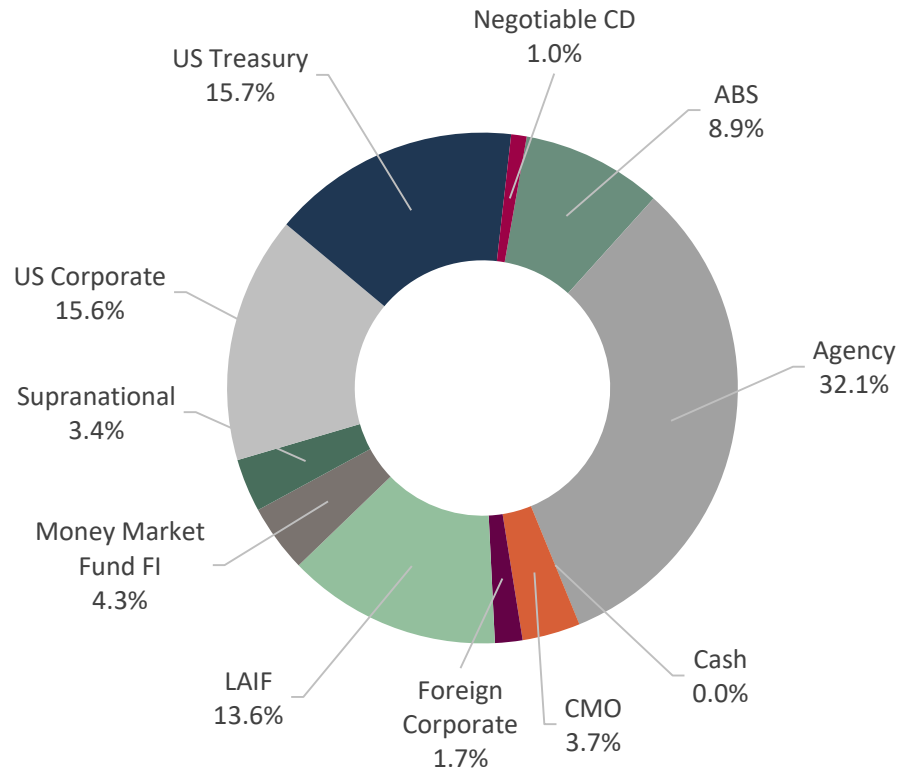
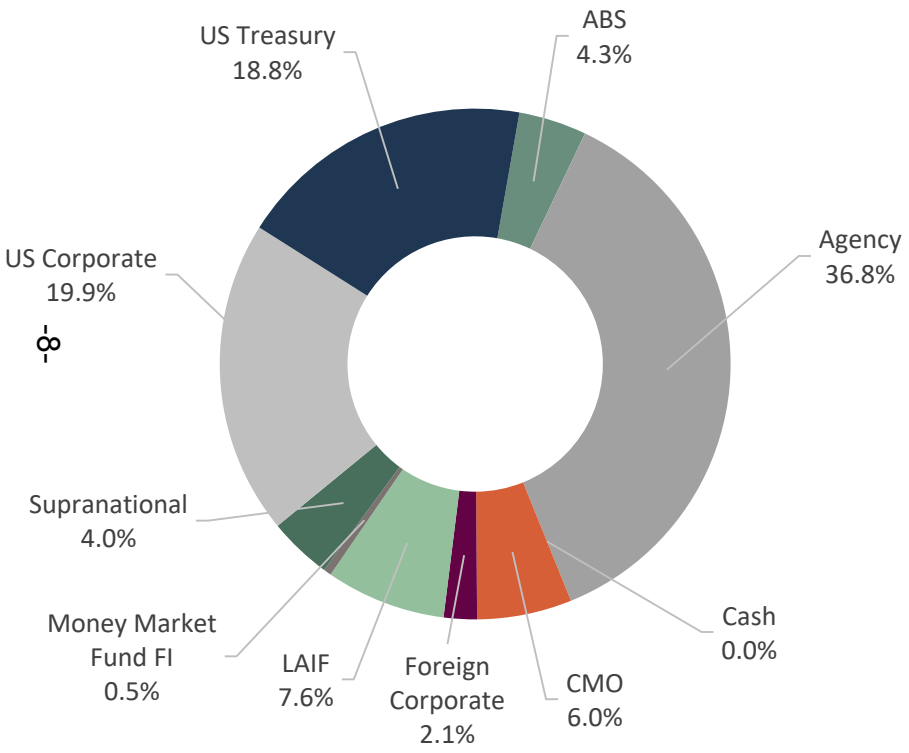
* Portfolio is S&P and Moody's respectively.

Sector Distribution

Moulton Niguel Water District Consolidated

September 30, 2019

June 30, 2019

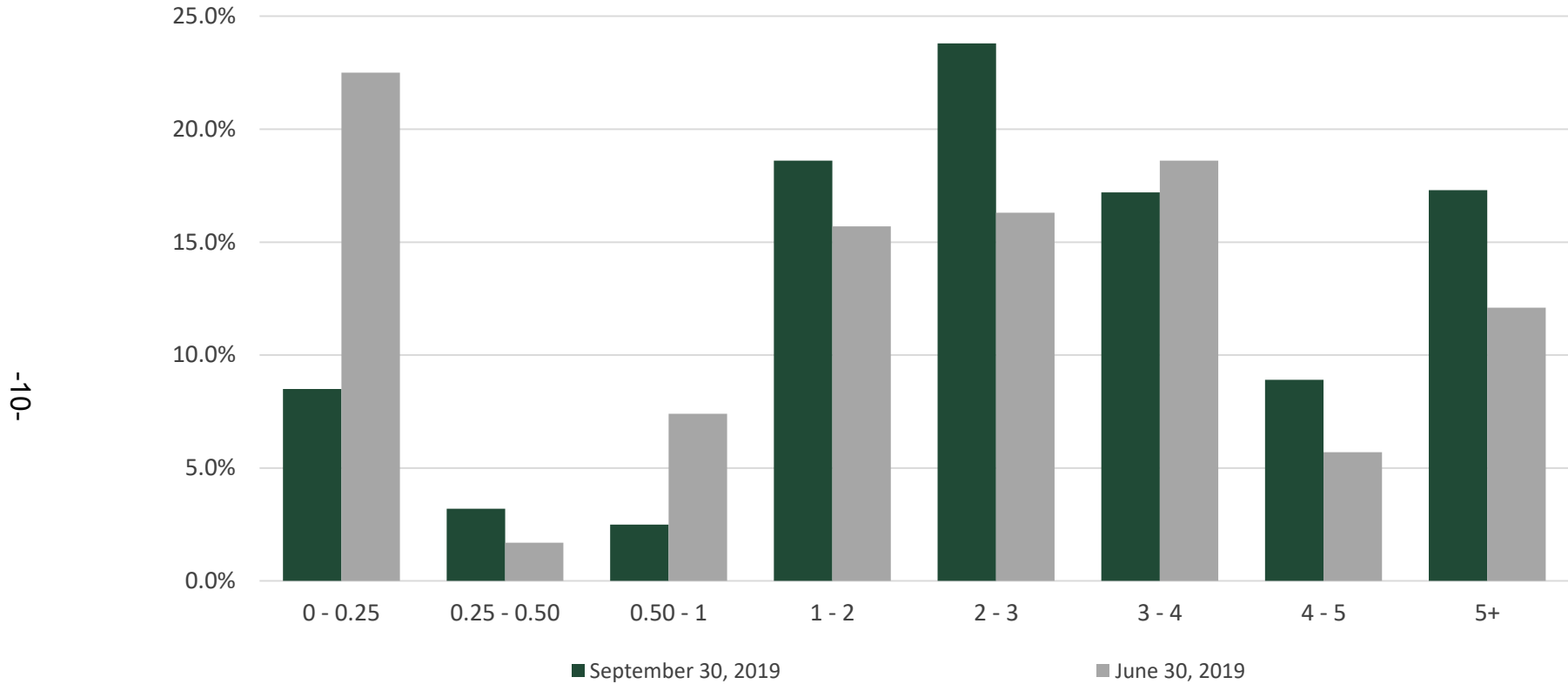


Moulton Niguel Water District Consolidated – Account #43

Issue Name	Investment Type	Avg Mkt Yield	Avg Maturity	% Portfolio
Government of United States	US Treasury	1.60%	3.81	18.76%
Federal Home Loan Bank	Agency	1.81%	5.08	15.98%
Federal National Mortgage Association	Agency	1.68%	3.87	10.44%
Local Agency Investment Fund	LAIF	2.24%	0.00	7.61%
Tennessee Valley Authority	Agency	1.77%	3.68	7.53%
Federal Home Loan Mortgage Corp	CMO	2.03%	4.25	5.95%
Inter-American Dev Bank	Supranational	1.66%	2.60	3.40%
Federal Home Loan Mortgage Corp	Agency	1.68%	2.45	2.87%
John Deere ABS	ABS	2.17%	1.98	1.58%
Paccar Financial	US Corporate	2.03%	2.74	1.50%
Qualcomm Inc	US Corporate	2.18%	0.64	1.31%
Oracle Corp	US Corporate	1.96%	1.96	1.31%
State Street Bank	US Corporate	1.94%	1.64	1.23%
Exxon Mobil Corp	US Corporate	1.85%	1.42	1.20%
Honda Motor Corporation	US Corporate	2.09%	3.96	1.16%
Honda ABS	ABS	1.98%	2.94	1.13%
Wells Fargo Corp	US Corporate	2.35%	4.95	1.12%
Deere & Company	US Corporate	1.90%	3.33	1.10%
Charles Schwab Corp/The	US Corporate	2.07%	3.32	1.09%
HSBC Holdings PLC	Foreign Corporate	2.43%	3.65	1.07%
Toronto Dominion Holdings	Foreign Corporate	2.00%	3.80	1.03%
Apple Inc	US Corporate	1.85%	2.95	1.03%
Bank of America Corp	US Corporate	2.24%	3.28	1.01%
Toyota Motor Corp	US Corporate	1.89%	2.29	1.01%
PNC Financial Services Group	US Corporate	2.00%	2.39	1.00%
Pepsico Inc	US Corporate	1.99%	0.58	0.95%
Berkshire Hathaway	US Corporate	1.96%	3.46	0.90%
IBM Corp	US Corporate	2.04%	2.94	0.89%
Microsoft	US Corporate	1.78%	1.86	0.84%
Toyota ABS	ABS	2.11%	1.65	0.79%
Nissan ABS	ABS	2.03%	2.04	0.76%
Wal-Mart Stores	US Corporate	1.90%	3.74	0.74%
International Finance Corp	Supranational	1.81%	1.32	0.65%
US Bancorp	US Corporate	2.06%	2.32	0.57%
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	1.68%	0.00	0.26%
US Bancorp	Money Market Fund FI	0.20%	0.00	0.23%
Bank Cash Account	Cash	0.00%	0.00	0.01%
TOTAL		1.85%	3.31	100%

Duration Distribution

Moulton Niguel Water District Consolidated
September 30, 2019 vs. June 30, 2019



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
09/30/19	8.5%	3.2%	2.5%	18.6%	23.8%	17.2%	8.9%	17.3%
06/30/19	22.5%	1.7%	7.4%	15.7%	16.3%	18.6%	5.7%	12.1%

Section 2 | Account Profile

Portfolio Characteristics

Moulton Niguel Water District Bond Reserves

	Bond Reserves	
	9/30/2019	6/30/2019
Portfolio book value	\$1,303,086	\$1,298,410
Market value	\$1,321,661	\$1,310,742
Net Contribution/Withdrawal for the Period	\$0	--
Average book yield	1.90%	1.90%
Average maturity (yrs)	2.49	2.74
Modified duration	2.38	2.62
\$ change in value for 1% change in rates	\$31,456	\$34,341
% maturing within two years	29.9%	29.7%
Average credit quality	AA+/Aaa	AA+/Aaa

Moulton Niguel Water District Liquid Fund

	ICE BAML 3-Month US Treasury Bill Index		Liquid Fund	
	9/30/2019	9/30/2019	9/30/2019	6/30/2019
Portfolio book value	--	\$7,782,801	\$16,730,945	
Market value	--	\$7,845,987	\$16,827,879	
Net Contribution/Withdrawal for the Period	--	(\$9,050,000)	--	
Average book yield	--	2.25%	2.41%	
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	

Portfolio Characteristics

Moulton Niguel Water District Limited Maturity Fund

	ICE BAML 0-3 Yr US	Limited Maturity Fund	
	Treasury Index	9/30/2019	6/30/2019
Portfolio book value	--	\$2,622,744	\$15,858,878
Market value	--	\$2,654,508	\$15,769,897
Net Contribution/Withdrawal for the Period	--	(\$13,190,000)	--
Average book yield	--	2.89%	2.70%
Average maturity (yrs)	1.42	1.88	1.63
Modified duration	1.38	0.44	0.46
\$ change in value for 1% change in rates	--	\$11,680	\$72,542
% maturing within two years	68.5%	57.2%	44.9%
Average credit quality	AAA	AAA/Aaa	AAA/Aaa

Portfolio Characteristics

As of September 30, 2019

Moulton Niguel Water District Operating Reserve Fund

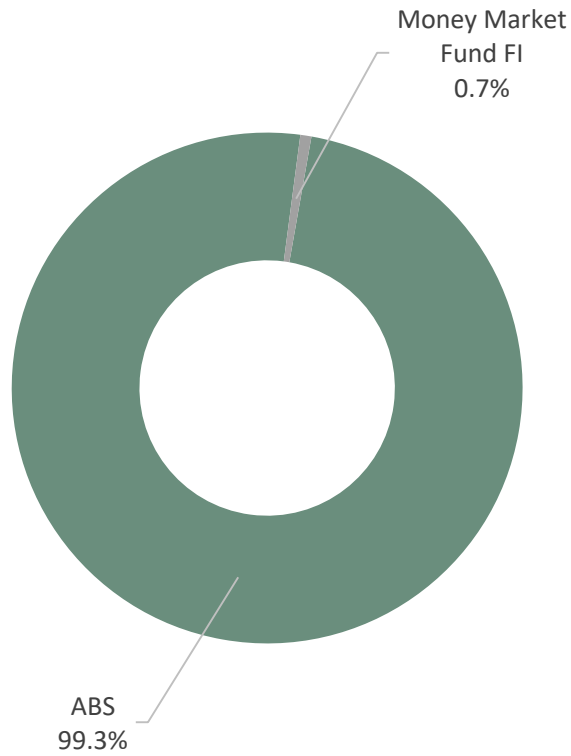
	ICE BAML 1-10 Yr US	Operating Reserve Fund	
	Treasury/Agency Index	9/30/2019	6/30/2019
Portfolio book value	--	\$84,294,302	\$83,671,802
Market value	--	\$86,769,665	\$85,695,417
Net Contribution/Withdrawal for the Period	--	(\$1,875)	--
Average book yield	--	2.49%	2.47%
Average maturity (yrs)	3.91	3.70	3.62
Modified duration	3.64	3.41	3.34
\$ change in value for 1% change in rates	--	\$2,958,846	\$2,862,227
% maturing within two years	23.6%	23.8%	20.1%
Average credit quality	AAA	AA/Aa1	AA/Aa1

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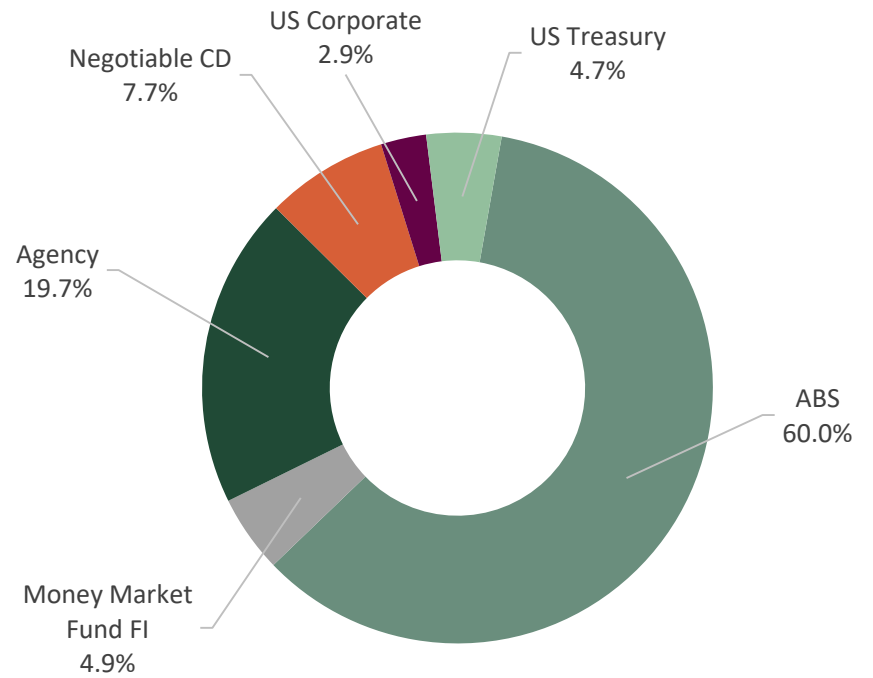
Sector Distribution

Moulton Niguel Water District Limited Maturity

September 30, 2019



June 30, 2019



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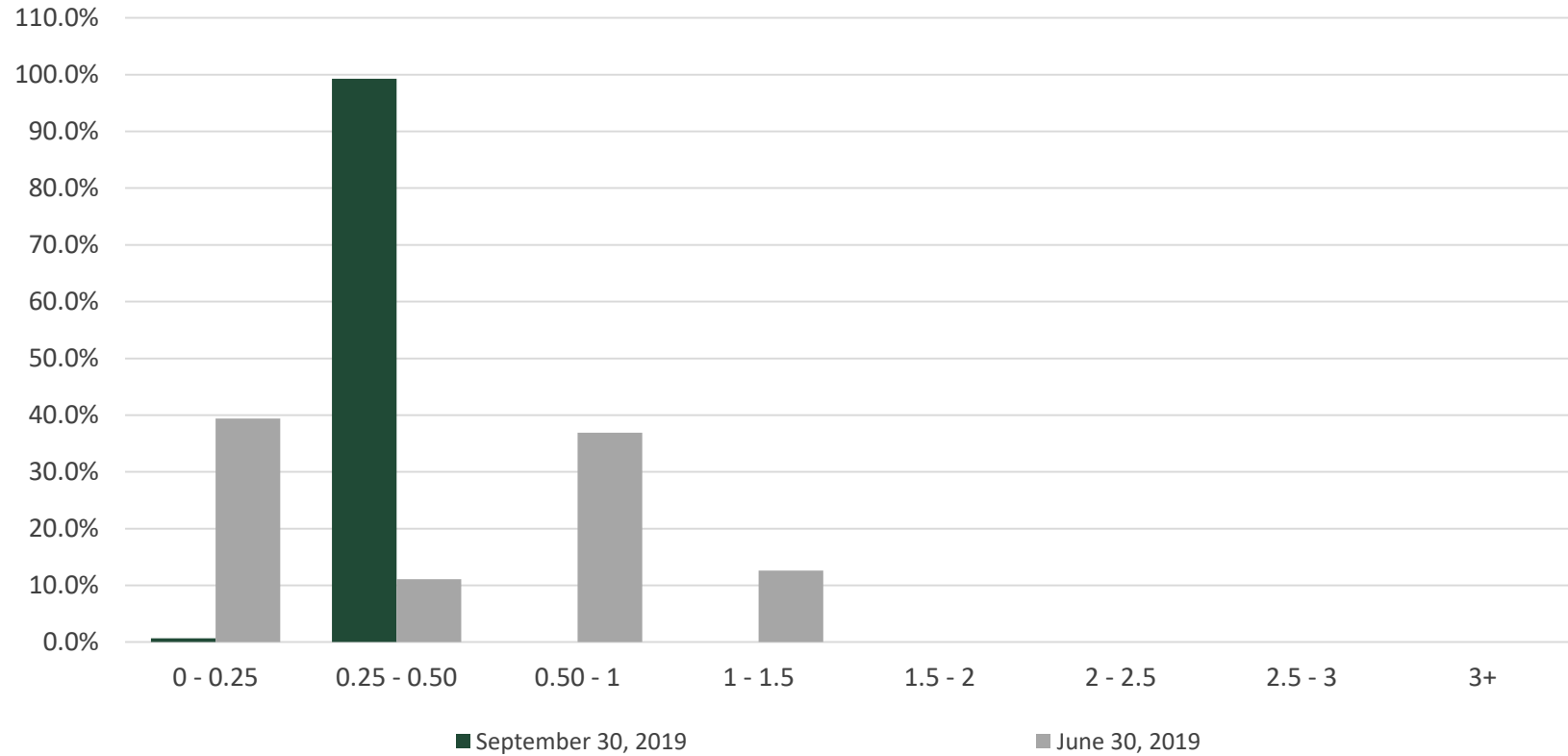
Moulton Niguel Water District Limited Maturity – Account #42

Issue Name	Investment Type	Avg Mkt Yield	Avg Maturity	% Portfolio
Nissan ABS	ABS	2.03%	2.04	29.60%
Toyota ABS	ABS	2.11%	1.79	24.85%
John Deere ABS	ABS	2.20%	1.82	24.22%
Honda ABS	ABS	2.09%	1.88	20.69%
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	1.68%	0.00	0.65%
TOTAL		2.10%	1.88	100%

Duration Distribution

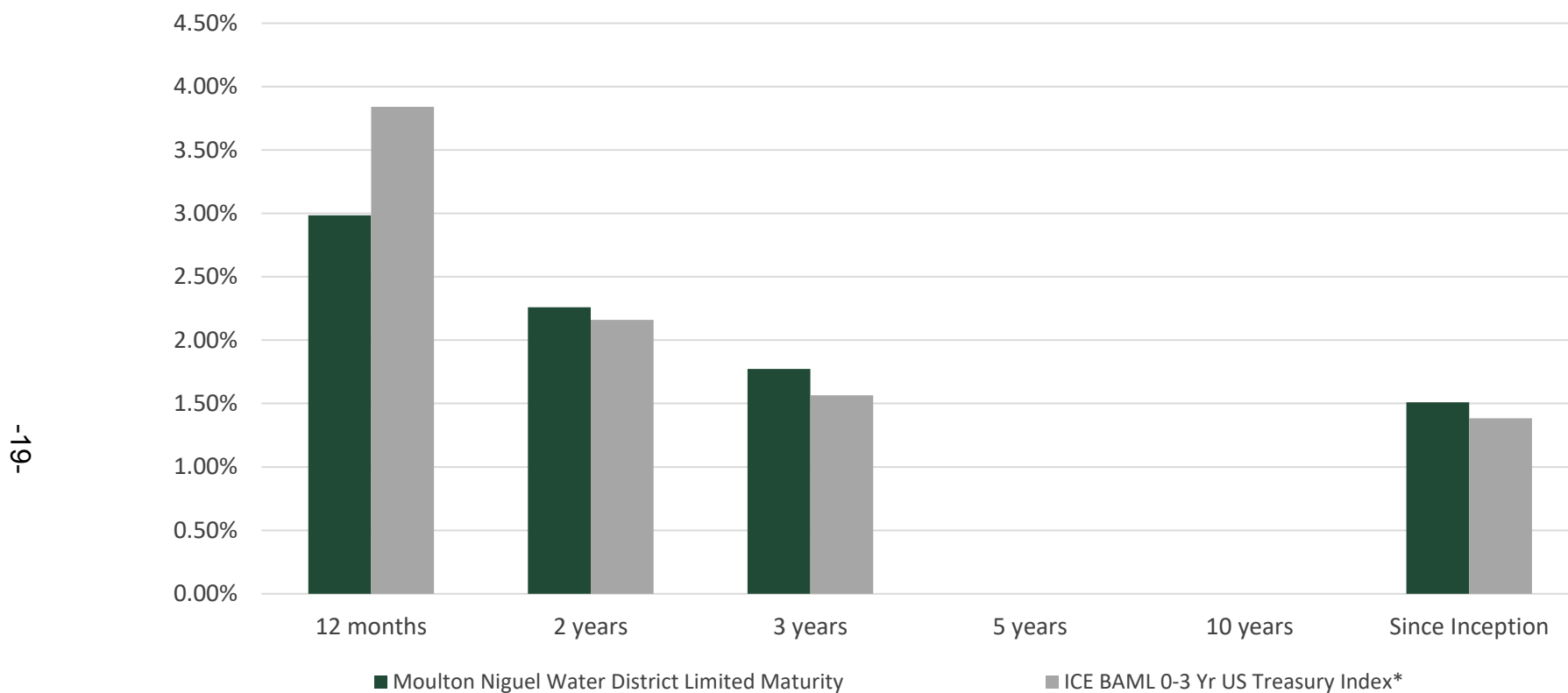
Moulton Niguel Water District Limited Maturity
September 30, 2019 vs. June 30, 2019

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	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3+
09/30/19	0.7%	99.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
06/30/19	39.4%	11.1%	36.9%	12.6%	0.0%	0.0%	0.0%	0.0%

Moulton Niguel Water District Limited Maturity Total Rate of Return Annualized Since Inception 02/28/2015



TOTAL RATE OF RETURN	Annualized						
	3 months	12 months	2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Limited Maturity	0.61%	2.99%	2.26%	1.77%	N/A	N/A	1.51%
ICE BAML 0-3 Yr US Treasury Index	0.58%	3.84%	2.16%	1.56%	N/A	N/A	1.38%

*ICE BAML 1-3 Yr US Treasury Index until 6/30/16; Then 0-3 ICE BAML US Treasuries

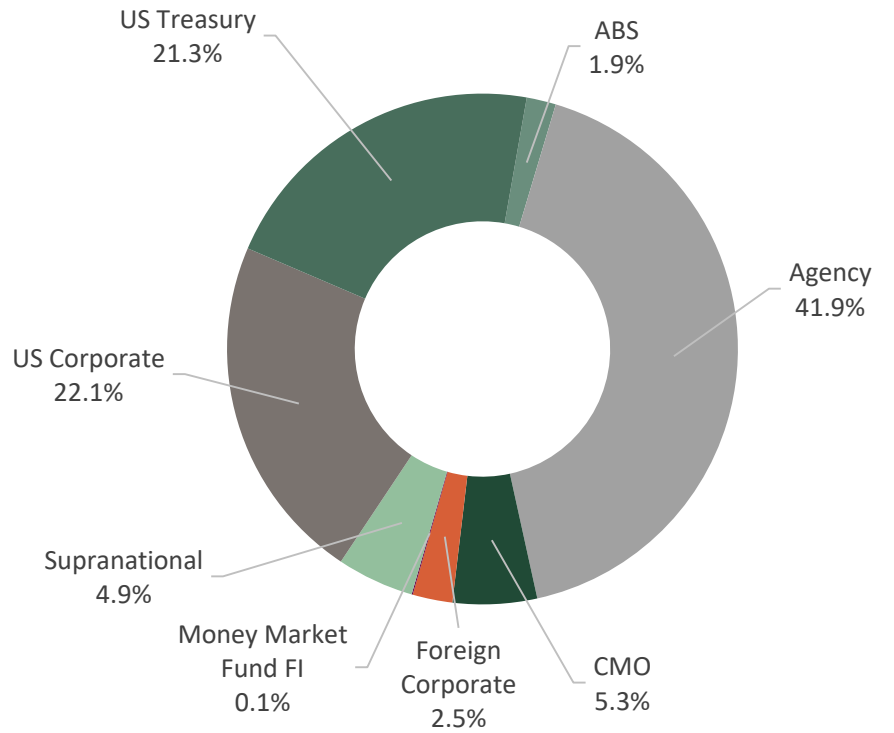
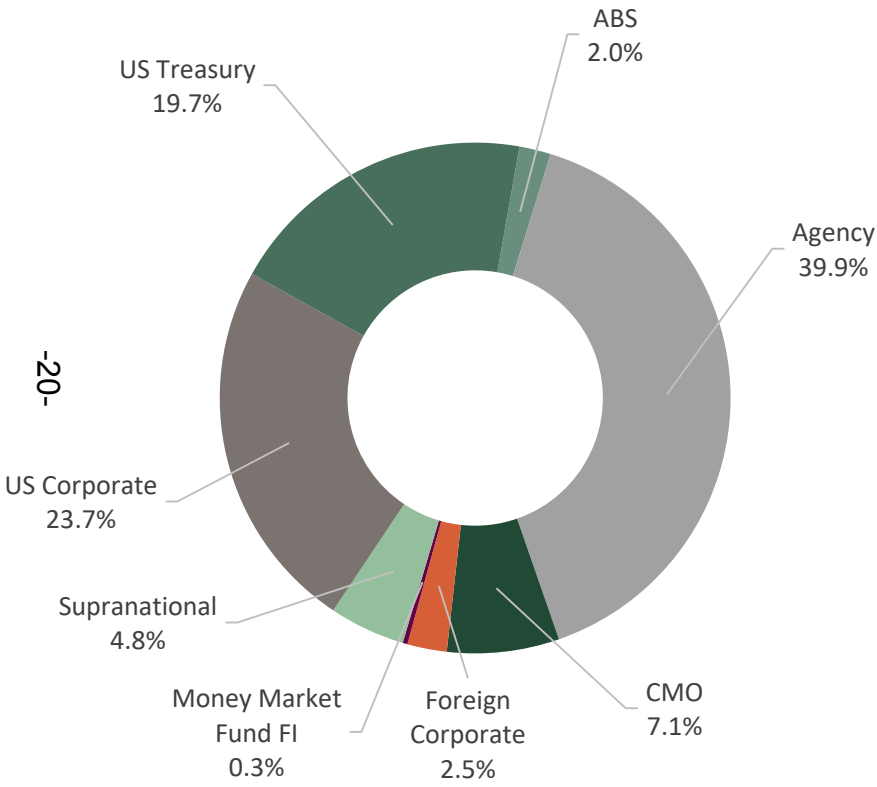
Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

Sector Distribution

Moulton Niguel Water District Operating Reserve

September 30, 2019

June 30, 2019



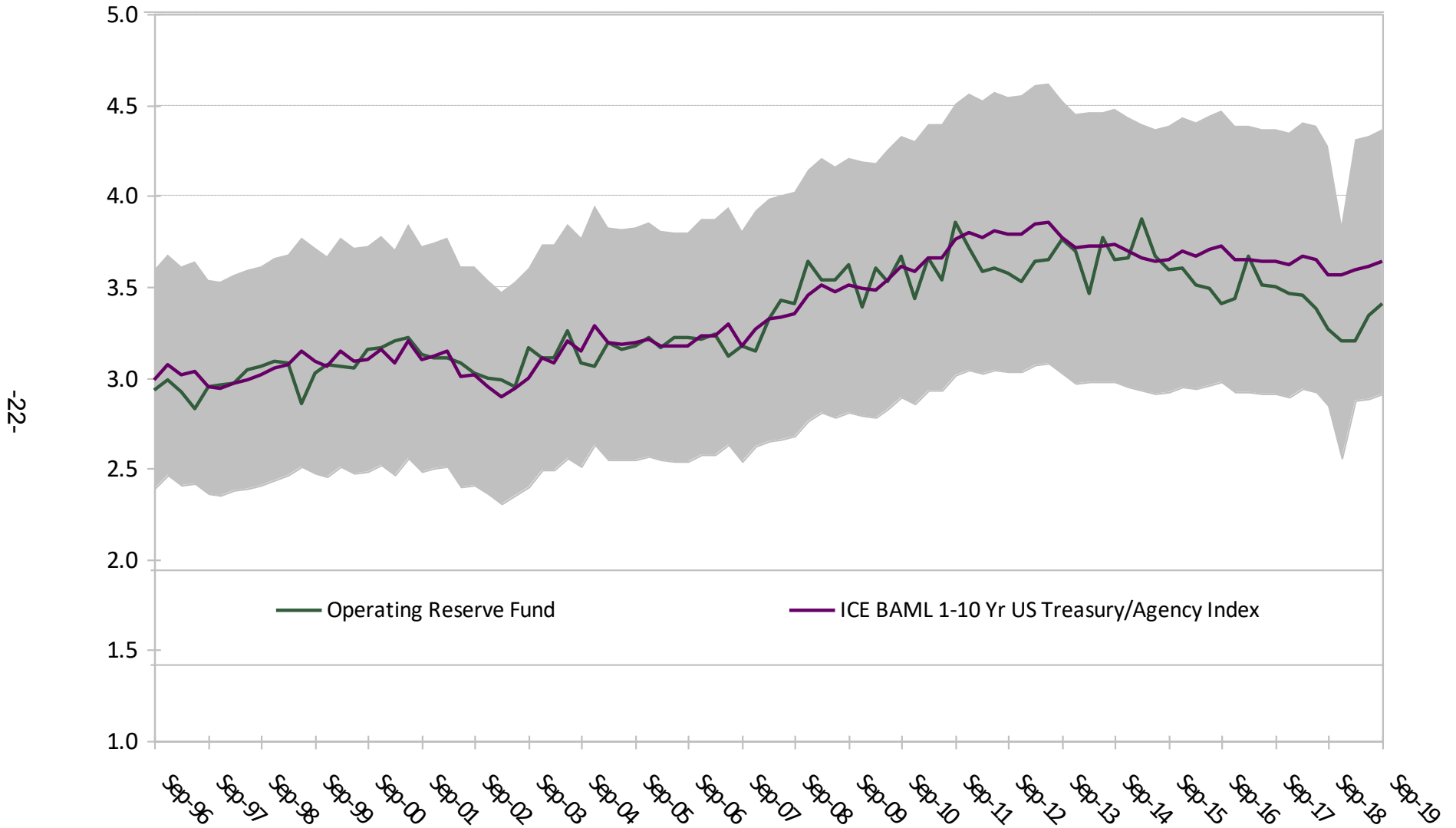
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Moulton Niguel Water District Operating Reserve – Account #40

Issue Name	Investment Type	Avg Mkt Yield	Avg Maturity	% Portfolio
Government of United States	US Treasury	1.59%	3.99	19.69%
Federal Home Loan Bank	Agency	1.82%	5.26	17.39%
Federal National Mortgage Association	Agency	1.69%	4.04	10.70%
Tennessee Valley Authority	Agency	1.77%	3.68	8.95%
Federal Home Loan Mortgage Corp	CMO	2.03%	4.25	7.08%
Inter-American Dev Bank	Supranational	1.66%	2.60	4.04%
Federal Home Loan Mortgage Corp	Agency	1.69%	2.21	2.87%
Paccar Financial	US Corporate	2.03%	2.74	1.79%
Qualcomm Inc	US Corporate	2.18%	0.64	1.56%
Oracle Corp	US Corporate	1.96%	1.96	1.56%
State Street Bank	US Corporate	1.94%	1.64	1.46%
Exxon Mobil Corp	US Corporate	1.85%	1.42	1.43%
Honda Motor Corporation	US Corporate	2.09%	3.96	1.38%
Wells Fargo Corp	US Corporate	2.35%	4.95	1.33%
Deere & Company	US Corporate	1.90%	3.33	1.31%
Charles Schwab Corp/The	US Corporate	2.07%	3.32	1.30%
HSBC Holdings PLC	Foreign Corporate	2.43%	3.65	1.27%
Toronto Dominion Holdings	Foreign Corporate	2.00%	3.80	1.22%
Apple Inc	US Corporate	1.85%	2.95	1.22%
Bank of America Corp	US Corporate	2.24%	3.28	1.20%
Toyota Motor Corp	US Corporate	1.89%	2.29	1.20%
PNC Financial Services Group	US Corporate	2.00%	2.39	1.19%
John Deere ABS	ABS	2.15%	2.08	1.13%
Pepsico Inc	US Corporate	1.99%	0.58	1.13%
Berkshire Hathaway	US Corporate	1.96%	3.46	1.06%
IBM Corp	US Corporate	2.04%	2.94	1.06%
Microsoft	US Corporate	1.78%	1.86	1.00%
Wal-Mart Stores	US Corporate	1.90%	3.74	0.87%
International Finance Corp	Supranational	1.81%	1.32	0.77%
Honda ABS	ABS	1.88%	3.88	0.71%
US Bancorp	US Corporate	2.06%	2.32	0.67%
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	1.68%	0.00	0.29%
Toyota ABS	ABS	2.14%	1.04	0.18%
TOTAL		1.82%	3.70	100%

Exposure to Market Risk

Operating Reserve Fund Duration Compared to ICE BAML 1-10 Yr US Treasury/Agency Index Duration



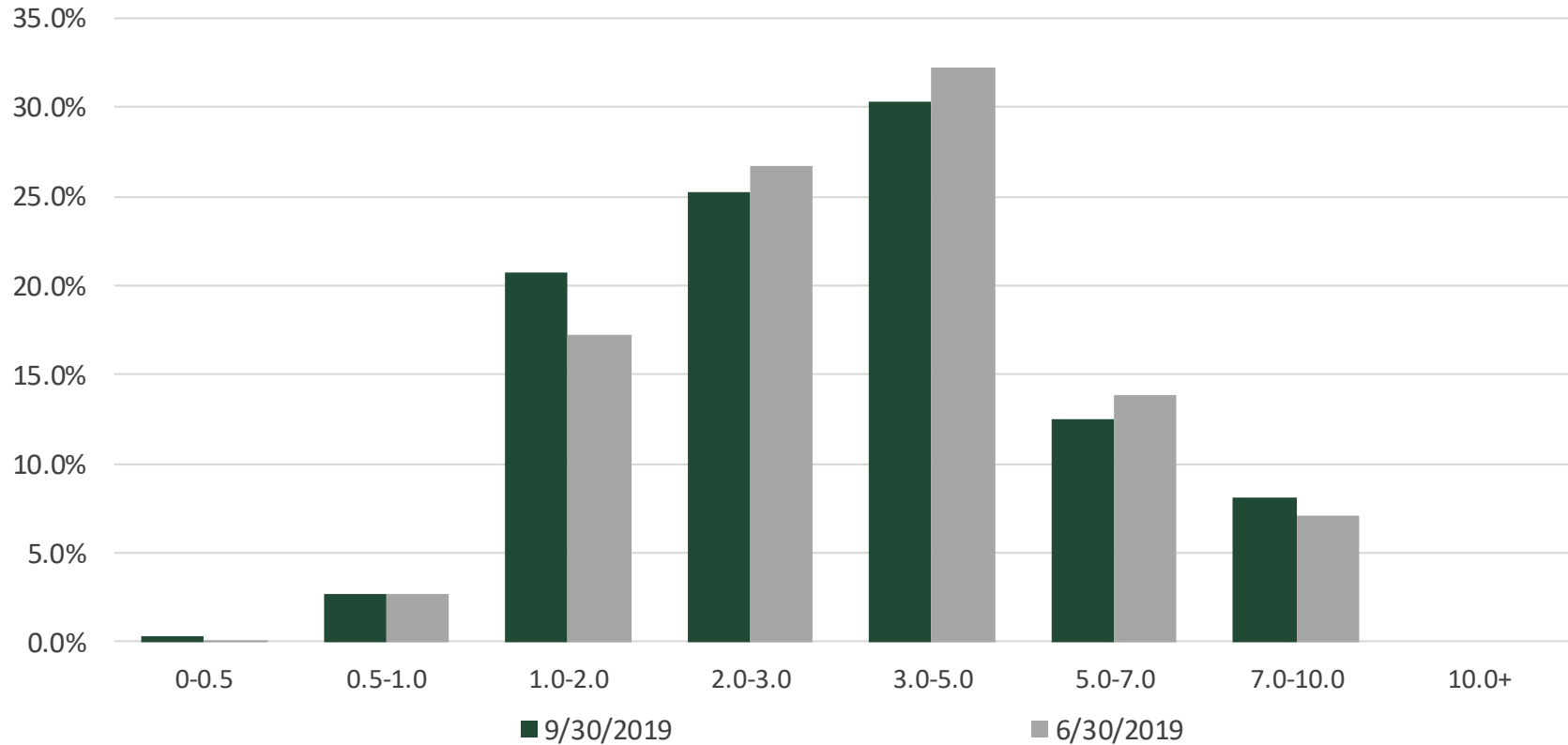
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Maturity Distribution

As of September 30, 2019

Moulton Niguel Water District Operating Reserve Fund
September 30, 2019 vs. June 30, 2019

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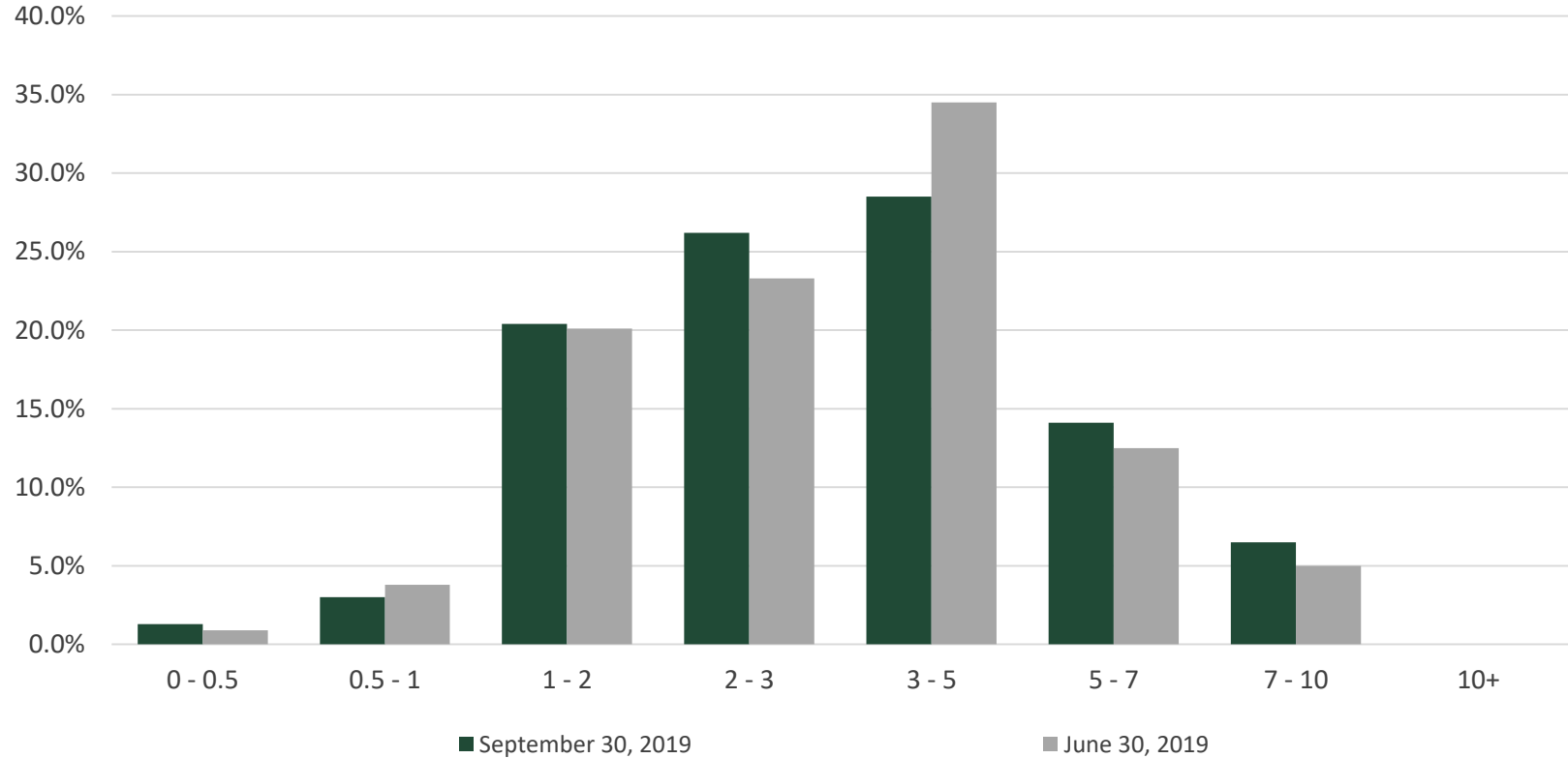


	0-0.5	0.5-1.0	1.0-2.0	2.0-3.0	3.0-5.0	5.0-7.0	7.0-10.0	10.0+
9/30/2019	0.3%	2.7%	20.8%	25.3%	30.3%	12.5%	8.1%	0.0%
6/30/2019	0.1%	2.7%	17.3%	26.7%	32.2%	13.9%	7.1%	0.0%

Duration Distribution

Moulton Niguel Water District Operating Reserve
September 30, 2019 vs. June 30, 2019

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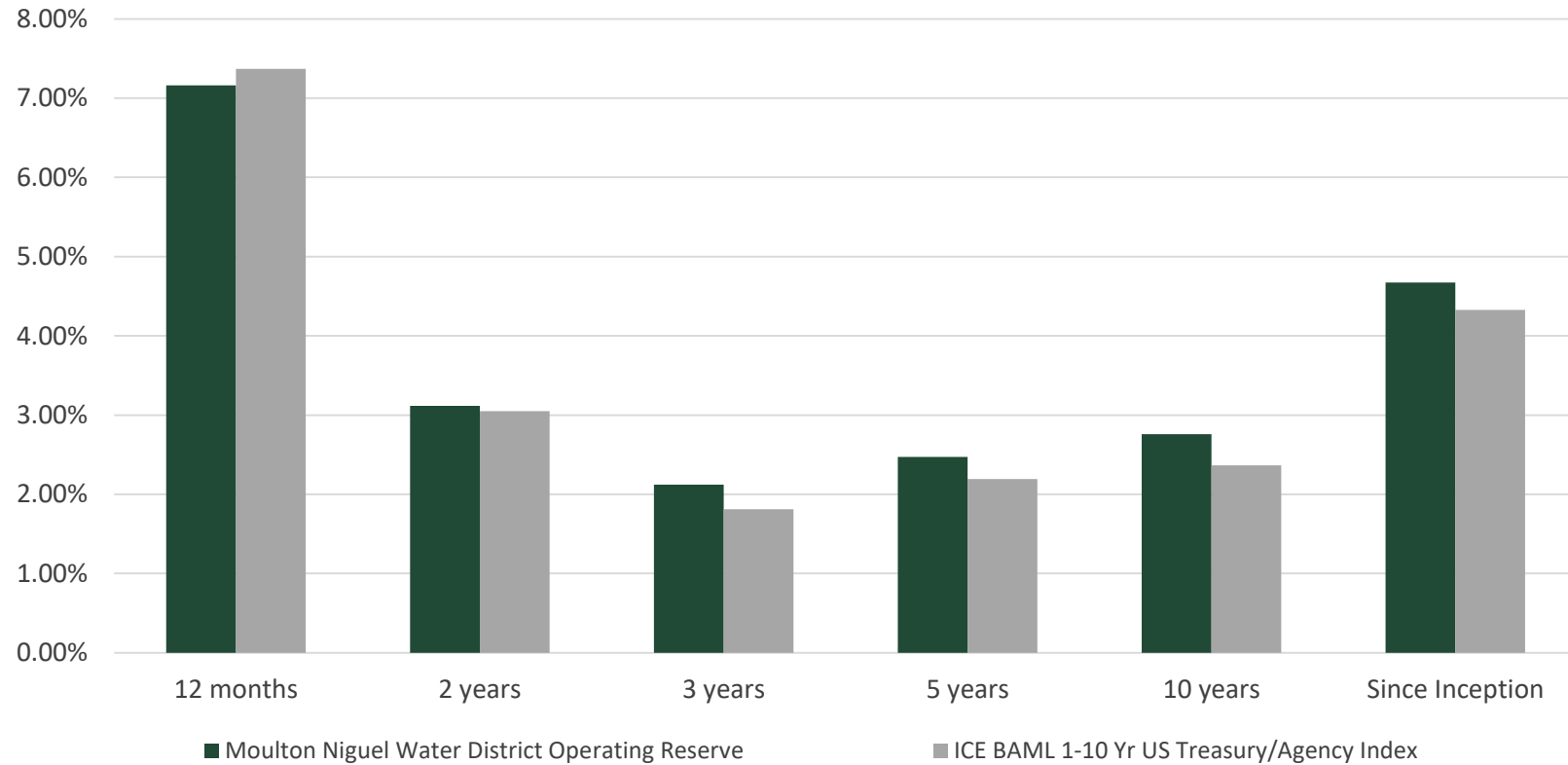


	0 - 0.5	0.5 - 1	1 - 2	2 - 3	3 - 5	5 - 7	7 - 10	10+
09/30/19	1.3%	3.0%	20.4%	26.2%	28.5%	14.1%	6.5%	0.0%
06/30/19	0.9%	3.8%	20.1%	23.3%	34.5%	12.5%	5.0%	0.0%

Investment Performance

As of September 30, 2019

Moulton Niguel Water District Operating Reserve Total Rate of Return Annualized Since Inception 09/30/1995



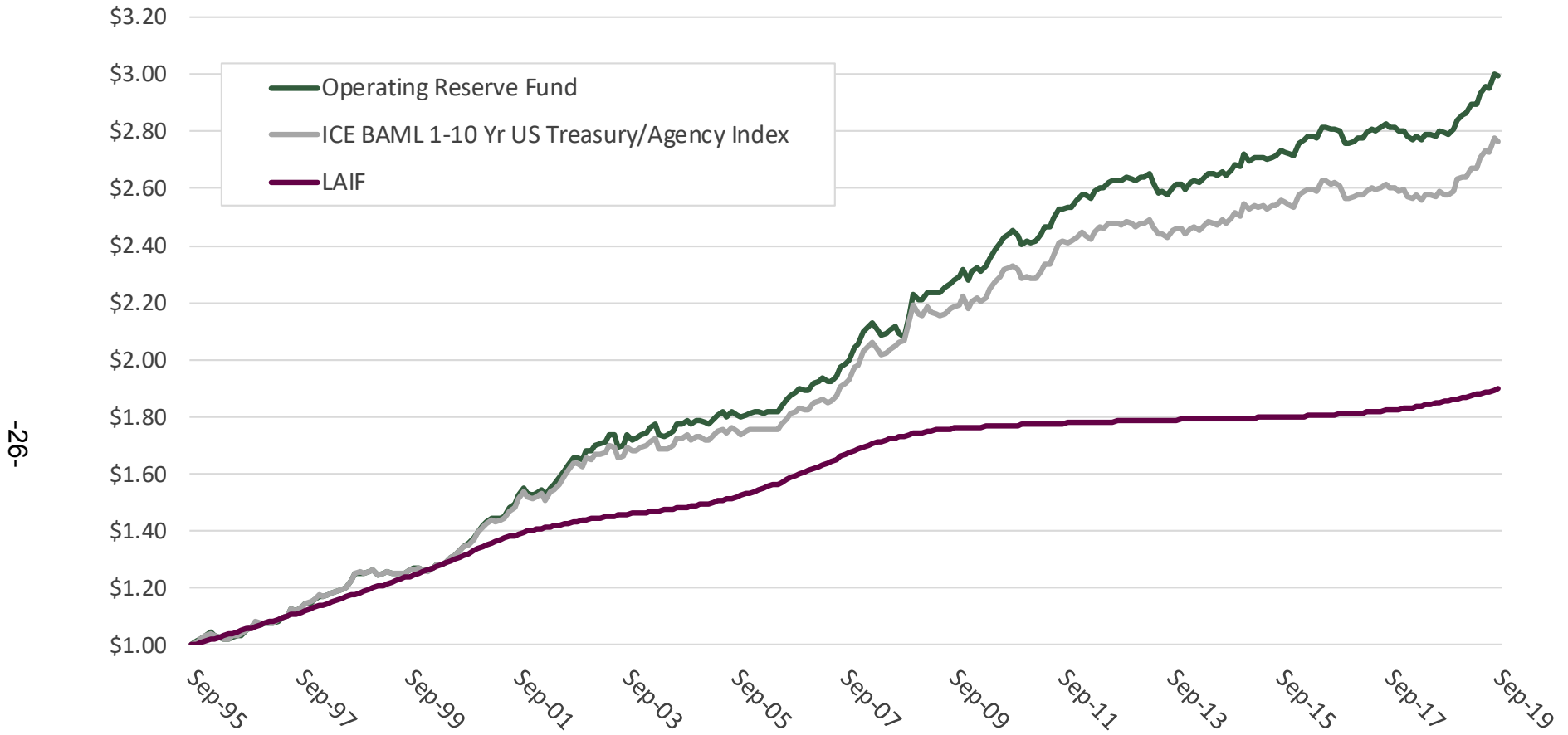
TOTAL RATE OF RETURN	Annualized						
	3 months	12 months	2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Operating Reserve	1.26%	7.16%	3.12%	2.12%	2.47%	2.76%	4.67%
ICE BAML 1-10 Yr US Treasury/Agency Index	1.15%	7.37%	3.05%	1.81%	2.19%	2.37%	4.33%

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.

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Growth Over Time

Moulton Niguel Water District Operating Reserve
Growth of \$1 Million



Historical return on \$1 million invested in September 1995

	9/30/2019	Return
Operating Reserve Fund	\$2,955,950	4.67%
ICE BAML 1-10 Yr US Treasury/Agency Index	\$2,733,591	4.33%
LAIF	\$1,885,253	2.71%

Section 3 | Portfolio Holdings

Holdings Report

Moulton Niguel Water District Liquid Fund - Account #41

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 Fitch	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	7,782,800.53	Various 2.24%	7,782,800.53 7,782,800.53	1.00 2.24%	7,782,800.53 63,186.71	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		7,782,800.53	2.24%	7,782,800.53	2.24%	7,782,800.53 63,186.71	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		7,782,800.53	2.24%	7,782,800.53	2.24%	7,782,800.53 63,186.71	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUALS						7,845,987.24			

Holdings Report

As of September 30, 2019

Moulton Niguel Water District Limited Maturity - Account #42

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 Fitch	Maturity Duration
ABS									
47788EAB4	John Deere Owner Trust 2018-B A2 2.830% Due 04/15/2021	289,164.69	07/18/2018 2.84%	289,152.84 289,152.84	100.16 2.24%	289,613.43 363.70	10.92% 460.59	Aaa / NR AAA	1.54 0.26
89190BAD0	Toyota Auto Receivables Owner 2017-B A3 1.760% Due 07/15/2021	659,958.17	09/25/2018 2.77%	652,301.63 652,301.63	99.86 2.11%	659,015.06 516.23	24.85% 6,713.43	Aaa / AAA NR	1.79 0.42
43811BAC8	Honda Auto Receivables 2017-2 A3 1.680% Due 08/16/2021	549,832.92	10/18/2018 2.63%	542,380.11 542,380.11	99.80 2.09%	548,736.52 410.54	20.69% 6,356.41	Aaa / AAA NR	1.88 0.49
47788BAD6	John Deere Owner Trust 2017-B A3 1.820% Due 10/15/2021	353,115.01	07/17/2018 3.17%	347,666.55 347,666.55	99.84 2.16%	352,567.45 285.63	13.29% 4,900.90	Aaa / NR AAA	2.04 0.46
65478GAD2	Nissan Auto Receivables Owner 2017-B A3 1.750% Due 10/15/2021	786,172.70	11/06/2018 3.10%	773,980.89 773,980.89	99.87 2.03%	785,125.37 611.47	29.60% 11,144.48	Aaa / NR AAA	2.04 0.49
TOTAL ABS		2,638,243.49	2.90%	2,605,482.02	2.10%	2,635,057.83 2,187.57	99.35% 29,575.81	Aaa / AAA Aaa	1.89 0.44
Money Market Fund FI									
75J466	Wells Fargo Advantage Government MMF	17,262.13	09/20/2019 1.68%	17,262.13 17,262.13	1.00 1.68%	17,262.13 0.00	0.65% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL Money Market Fund FI		17,262.13	1.68%	17,262.13	1.68%	17,262.13 0.00	0.65% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL PORTFOLIO		2,655,505.62	2.89%	2,622,744.15	2.10%	2,652,319.96 2,187.57	100.00% 29,575.81	Aaa / AAA Aaa	1.88 0.44
TOTAL MARKET VALUE PLUS ACCRUALS						2,654,507.53			

Holdings Report

As of September 30, 2017

Moulton Niguel Water District Operating Reserve - Account #40

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 Fitch	Maturity Duration
ABS									
89238BAB8	Toyota Auto Receivables Owner 2018-A A2A 2.100% Due 10/15/2020	152,727.95	01/23/2018 2.12%	152,712.34 152,712.34	100.00 2.14%	152,724.10 142.55	0.18% 11.76	Aaa / AAA NR	1.04 0.07
47787XAC1	John Deere Owner Trust 2017-A A3 1.780% Due 04/15/2021	200,943.01	06/01/2018 2.65%	198,949.28 198,949.28	99.91 2.16%	200,753.43 158.97	0.23% 1,804.15	Aaa / NR AAA	1.54 0.25
47788BAD6	John Deere Owner Trust 2017-B A3 1.820% Due 10/15/2021	516,594.21	Various 2.48%	512,393.89 512,393.89	99.84 2.16%	515,793.15 417.87	0.59% 3,399.26	Aaa / NR AAA	2.04 0.46
47788CAC6	John Deere Owner Trust 2018-A A3 2.660% Due 04/18/2022	265,000.00	02/21/2018 2.68%	264,980.95 264,980.95	100.41 2.12%	266,083.06 313.29	0.31% 1,102.11	Aaa / NR AAA	2.55 0.73
43815NAC8	HAROT 2019-3 A3 1.780% Due 08/15/2023	620,000.00	08/20/2019 1.79%	619,994.85 619,994.85	99.79 1.88%	618,688.08 490.49	0.71% (1,306.77)	Aaa / AAA NR	3.88 2.34
TOTAL ABS		1,755,265.17	2.25%	1,749,031.31	2.05%	1,754,041.82 1,523.17	2.02% 5,010.51	Aaa / AAA Aaa	2.62 1.11
Agency									
30-3XDV57	FHLB Note 5.250% Due 12/11/2020	1,825,000.00	07/07/2011 3.54%	2,073,346.00 2,073,346.00	103.99 1.86%	1,897,808.38 29,276.04	2.22% (175,537.62)	Aaa / AA+ AAA	1.20 1.15
880591EL2	Tennessee Valley Authority Note 3.875% Due 02/15/2021	2,120,000.00	04/06/2011 3.87%	2,121,611.20 2,121,611.20	102.82 1.79%	2,179,680.12 10,496.94	2.52% 58,068.92	Aaa / AA+ AAA	1.38 1.34
3135G0J20	FNMA Note 1.375% Due 02/26/2021	1,800,000.00	04/21/2016 1.45%	1,793,466.00 1,793,466.00	99.46 1.76%	1,790,292.60 2,406.25	2.07% (3,173.40)	Aaa / AA+ AAA	1.41 1.38
3135G0K69	FNMA Note 1.250% Due 05/06/2021	1,850,000.00	07/22/2016 1.27%	1,848,649.50 1,848,649.50	99.24 1.73%	1,835,947.40 9,314.24	2.13% (12,702.10)	Aaa / AA+ AAA	1.60 1.57
3133752P1	FHLB Note 3.500% Due 07/29/2021	2,925,000.00	08/03/2011 3.19%	3,003,185.25 3,003,185.25	103.24 1.70%	3,019,702.73 17,631.25	3.50% 16,517.48	Aaa / AA+ AAA	1.83 1.77
3137EAEC9	FHLMC Note 1.125% Due 08/12/2021	450,000.00	08/16/2016 1.32%	445,702.50 445,702.50	98.97 1.69%	445,345.65 689.06	0.51% (356.85)	Aaa / AA+ AAA	1.87 1.83
3137EADB2	FHLMC Note 2.375% Due 01/13/2022	2,000,000.00	01/27/2016 1.78%	2,066,660.00 2,066,660.00	101.54 1.69%	2,030,796.00 10,291.67	2.35% (35,864.00)	Aaa / AA+ AAA	2.29 2.21
3130A5P45	FHLB Note 2.375% Due 06/10/2022	1,850,000.00	07/24/2015 2.31%	1,857,751.50 1,857,751.50	101.88 1.66%	1,884,804.05 13,547.40	2.19% 27,052.55	Aaa / AA+ AAA	2.70 2.59
880591EN8	Tennessee Valley Authority Note 1.875% Due 08/15/2022	2,585,000.00	Various 2.03%	2,550,760.80 2,550,760.80	100.51 1.69%	2,598,074.93 6,193.23	3.00% 47,314.13	Aaa / AA+ AAA	2.88 2.78
3135G0T78	FNMA Note 2.000% Due 10/05/2022	900,000.00	10/05/2017 2.01%	899,406.00 899,406.00	101.02 1.65%	909,141.30 8,800.00	1.06% 9,735.30	Aaa / AA+ AAA	3.02 2.89

Moulton Niguel Water District Operating Reserve - Account #40

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 Fitch	Maturity Duration
313383YJ4	FHLB Note 3.375% Due 09/08/2023	325,000.00	11/29/2018 3.00%	330,401.50 330,401.50	106.59 1.64%	346,406.45 700.78	0.40% 16,004.95	Aaa / AA+ NR	3.94 3.69
3135G0ZR7	FNMA Note 2.625% Due 09/06/2024	1,400,000.00	10/29/2014 2.68%	1,393,896.00 1,393,896.00	104.77 1.61%	1,466,787.00 2,552.08	1.69% 72,891.00	Aaa / AA+ AAA	4.94 4.62
880591ER9	Tennessee Valley Authority Note 2.875% Due 09/15/2024	1,500,000.00	02/27/2019 2.65%	1,517,325.00 1,517,325.00	105.65 1.68%	1,584,813.00 1,916.67	1.83% 67,488.00	Aaa / AA+ AAA	4.96 4.62
3135G0K36	FNMA Note 2.125% Due 04/24/2026	1,900,000.00	Various 2.16%	1,893,849.00 1,893,849.00	102.85 1.66%	1,954,155.70 17,607.99	2.27% 60,306.70	Aaa / AA+ AAA	6.57 6.07
3130AGFP5	FHLB Note 2.500% Due 06/12/2026	1,650,000.00	06/17/2019 2.19%	1,683,280.50 1,683,280.50	104.12 1.84%	1,717,980.00 16,156.25	2.00% 34,699.50	Aaa / AA+ NR	6.70 6.11
3130A2VE3	FHLB Note 3.000% Due 09/11/2026	500,000.00	05/25/2017 2.61%	516,110.00 516,110.00	106.90 1.93%	534,508.00 833.33	0.62% 18,398.00	Aaa / AA+ NR	6.95 6.28
3135G0Q22	FNMA Note 1.875% Due 09/24/2026	1,275,000.00	12/14/2016 2.97%	1,157,190.00 1,157,190.00	101.24 1.69%	1,290,827.85 464.84	1.49% 133,637.85	Aaa / AA+ AAA	6.99 6.52
880591EU2	Tennessee Valley Authority Note 2.875% Due 02/01/2027	1,300,000.00	07/30/2019 2.26%	1,354,418.00 1,354,418.00	106.21 1.96%	1,380,774.20 6,229.17	1.60% 26,356.20	Aaa / AA+ AAA	7.35 6.60
3130ACKB9	FHLB Note 2.625% Due 09/10/2027	1,600,000.00	11/20/2017 2.68%	1,592,032.00 1,592,032.00	105.43 1.89%	1,686,875.20 2,450.00	1.95% 94,843.20	Aaa / AA+ NR	7.95 7.17
3130AEB25	FHLB Note 3.250% Due 06/09/2028	1,500,000.00	01/29/2019 3.13%	1,514,355.00 1,514,355.00	110.87 1.89%	1,662,978.00 15,166.67	1.93% 148,623.00	Aaa / AA+ NR	8.70 7.57
3130AG3X1	FHLB Note 2.875% Due 03/09/2029	430,000.00	04/22/2019 2.90%	428,968.00 428,968.00	107.40 2.01%	461,812.26 755.49	0.53% 32,844.26	Aaa / AA+ NR	9.45 8.29
3130AGDY8	FHLB Note 2.750% Due 06/08/2029	1,645,000.00	Various 2.45%	1,688,254.35 1,688,254.35	106.85 1.97%	1,757,643.02 18,597.64	2.05% 69,388.67	Aaa / AA+ NR	9.70 8.44
TOTAL Agency		33,330,000.00	2.50%	33,730,618.10	1.76%	34,437,153.84 192,076.99	39.91% 706,535.74	Aaa / AA+ Aaa	4.36 4.00
CMO									
3137B5JM6	FHLMC K034 A2 3.531% Due 07/25/2023	1,275,000.00	08/28/2018 3.03%	1,302,043.95 1,302,043.95	105.34 1.98%	1,343,130.90 3,751.69	1.55% 41,086.95	NR / NR AAA	3.82 3.47
3137B4WB8	FHLMC K033 A2 3.060% Due 07/25/2023	1,200,000.00	10/19/2018 3.64%	1,184,718.75 1,184,718.75	103.64 1.98%	1,243,682.39 612.00	1.43% 58,963.64	Aaa / NR NR	3.82 3.46
3137B7YY9	FHLMC K037 A2 3.490% Due 01/25/2024	1,100,000.00	Various 2.10%	1,161,039.07 1,161,039.07	105.68 2.00%	1,162,475.60 3,199.17	1.34% 1,436.53	NR / AAA NR	4.32 3.82
3137BYPQ7	FHLMC K726 A2 2.905% Due 04/25/2024	1,300,000.00	04/22/2019 2.72%	1,309,292.97 1,309,292.97	103.20 2.10%	1,341,631.20 3,147.08	1.55% 32,338.23	NR / AAA NR	4.57 4.08

Moulton Niguel Water District Operating Reserve - Account #40

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 Fitch	Maturity Duration
3137FAE0	FHMS K727 A2 2.946% Due 07/25/2024	1,000,000.00	07/23/2019 1.66%	1,031,054.69 1,031,054.69	103.55 2.11%	1,035,535.00 2,455.00	1.20% 4,480.31	NR / AAA NR	4.82 4.32
TOTAL CMO		5,875,000.00	2.68%	5,988,149.43	2.03%	6,126,455.09 13,164.94	7.08% 138,305.66	Aaa / AAA Aaa	4.25 3.81
Foreign Corporate									
404280BA6	HSBC Holdings PLC Note 3.600% Due 05/25/2023	1,050,000.00	10/18/2018 4.00%	1,032,465.00 1,032,465.00	104.05 2.43%	1,092,540.75 13,230.00	1.27% 60,075.75	A2 / A AA-	3.65 3.38
89114QC48	Toronto Dominion Bank Note 3.500% Due 07/19/2023	1,000,000.00	07/27/2018 3.56%	997,100.00 997,100.00	105.45 2.00%	1,054,523.00 7,000.00	1.22% 57,423.00	Aa1 / AA- AA-	3.80 3.54
TOTAL Foreign Corporate		2,050,000.00	3.79%	2,029,565.00	2.22%	2,147,063.75 20,230.00	2.50% 117,498.75	A1 / A+ AA-	3.73 3.46
Money Market Fund FI									
75J466	Wells Fargo Advantage Government MMF	254,740.37	Various 1.68%	254,740.37 254,740.37	1.00 1.68%	254,740.37 0.00	0.29% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL Money Market Fund FI		254,740.37	1.68%	254,740.37	1.68%	254,740.37 0.00	0.29% 0.00	Aaa / AAA NR	0.00 0.00
Supranational									
45950KCM0	International Finance Corp Note 2.250% Due 01/25/2021	665,000.00	01/18/2018 2.35%	663,044.90 663,044.90	100.57 1.81%	668,797.15 2,743.13	0.77% 5,752.25	Aaa / AAA NR	1.32 1.29
4581X0CW6	Inter-American Dev Bank Note 2.125% Due 01/18/2022	1,870,000.00	01/10/2017 2.15%	1,867,699.90 1,867,699.90	101.03 1.67%	1,889,201.16 8,057.88	2.19% 21,501.26	Aaa / NR AAA	2.30 2.23
4581X0CZ9	Inter-American Dev Bank Note 1.750% Due 09/14/2022	1,600,000.00	Various 2.50%	1,548,050.00 1,548,050.00	100.30 1.65%	1,604,723.20 1,322.22	1.85% 56,673.20	Aaa / AAA AAA	2.96 2.87
TOTAL Supranational		4,135,000.00	2.32%	4,078,794.80	1.68%	4,162,721.51 12,123.23	4.81% 83,926.71	Aaa / AAA Aaa	2.40 2.32
US Corporate									
713448CS5	PepsiCo Inc Callable Note Cont 3/30/2020 1.850% Due 04/30/2020	970,000.00	04/27/2015 1.86%	969,447.10 969,447.10	99.92 1.99%	969,231.76 7,526.93	1.13% (215.34)	A1 / A+ A	0.58 0.57
747525AD5	Qualcomm Inc Note 2.250% Due 05/20/2020	1,340,000.00	05/13/2015 2.25%	1,340,302.10 1,340,302.10	100.04 2.18%	1,340,558.78 10,971.26	1.56% 256.68	A2 / A- NR	0.64 0.63
30231GAV4	Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 03/01/2021	1,230,000.00	05/16/2016 1.84%	1,251,561.90 1,251,561.90	100.52 1.85%	1,236,442.74 2,277.55	1.43% (15,119.16)	Aaa / AA+ NR	1.42 1.39

Moulton Niguel Water District Operating Reserve - Account #40

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 Fitch	Maturity Duration
857477AV5	State Street Bank Note 1.950% Due 05/19/2021	1,255,000.00	05/18/2016 2.02%	1,250,557.30 1,250,557.30	100.01 1.94%	1,255,139.31 8,973.25	1.46% 4,582.01	A1 / A AA-	1.64 1.59
594918BP8	Microsoft Callable Note Cont 7/8/2021 1.550% Due 08/08/2021	870,000.00	Various 1.57%	868,966.50 868,966.50	99.58 1.78%	866,355.57 1,985.30	1.00% (2,610.93)	Aaa / AAA AA+	1.86 1.82
69371RN44	Paccar Financial Corp Note 1.650% Due 08/11/2021	1,102,000.00	Various 2.39%	1,075,704.67 1,075,704.67	99.41 1.98%	1,095,458.53 2,525.41	1.27% 19,753.86	A1 / A+ NR	1.87 1.82
68389XBK0	Oracle Corp Callable Note Cont 8/15/2021 1.900% Due 09/15/2021	1,350,000.00	10/05/2016 1.93%	1,347,988.50 1,347,988.50	99.88 1.96%	1,348,408.35 1,140.00	1.56% 419.85	A1 / A+ A	1.96 1.91
89233P5T9	Toyota Motor Credit Corp Note 3.300% Due 01/12/2022	1,000,000.00	05/16/2018 3.35%	998,429.70 998,429.70	103.14 1.89%	1,031,397.00 7,241.67	1.20% 32,967.30	Aa3 / AA- A+	2.29 2.18
91159HHP8	US Bancorp Callable Cont 12/23/2021 2.625% Due 01/24/2022	575,000.00	01/19/2017 2.66%	574,011.00 574,011.00	101.23 2.06%	582,052.38 2,809.11	0.67% 8,041.38	A1 / A+ AA-	2.32 2.15
69353RFB9	PNC Bank Callable Note Cont 1/18/2022 2.625% Due 02/17/2022	1,015,000.00	Various 2.53%	1,020,132.25 1,020,132.25	101.39 2.00%	1,029,101.40 3,256.46	1.19% 8,969.15	A2 / A A+	2.39 2.22
44932HAC7	IBM Credit Corp Note 2.200% Due 09/08/2022	915,000.00	11/29/2017 2.58%	899,518.20 899,518.20	100.46 2.04%	919,209.92 1,286.08	1.06% 19,691.72	A2 / A NR	2.94 2.83
833DC1	Apple Inc Callable Note Cont 08/12/2022 2.100% Due 09/12/2022	1,050,000.00	09/12/2017 2.23%	1,043,626.50 1,043,626.50	100.71 1.85%	1,057,427.70 1,163.75	1.22% 13,801.20	Aa1 / AA+ NR	2.95 2.77
06051GEU9	Bank of America Corp Note 3.300% Due 01/11/2023	1,000,000.00	03/09/2018 3.44%	993,910.00 993,910.00	103.32 2.24%	1,033,168.00 7,333.33	1.20% 39,258.00	A2 / A- A+	3.28 3.08
808513AT2	Charles Schwab Corp Callable Note Cont 12/25/2022 2.650% Due 01/25/2023	1,100,000.00	04/13/2018 3.24%	1,071,411.00 1,071,411.00	101.80 2.07%	1,119,816.50 5,344.17	1.30% 48,405.50	A2 / A A	3.32 3.08
24422ERT8	John Deere Capital Corp Note 2.800% Due 01/27/2023	1,100,000.00	05/22/2018 3.47%	1,068,551.00 1,068,551.00	102.88 1.90%	1,131,707.50 5,475.56	1.31% 63,156.50	A2 / A A	3.33 3.16
084670BR8	Berkshire Hathaway Callable Note Cont 1/15/2023 2.750% Due 03/15/2023	900,000.00	07/13/2018 3.23%	881,460.00 881,460.00	102.51 1.96%	922,617.00 1,100.00	1.06% 41,157.00	Aa2 / AA A+	3.46 3.14
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.400% Due 06/26/2023	715,000.00	Various 3.41%	714,814.15 714,814.15	105.26 1.90%	752,641.89 6,415.14	0.87% 37,827.74	Aa2 / AA AA	3.74 3.41
02665WCJ8	American Honda Finance Note 3.450% Due 07/14/2023	325,000.00	07/11/2018 3.49%	324,437.75 324,437.75	104.88 2.10%	340,875.28 2,398.23	0.40% 16,437.53	A2 / A NR	3.79 3.53
02665WCQ2	American Honda Finance Note 3.625% Due 10/10/2023	790,000.00	10/03/2018 3.64%	789,352.20 789,352.20	105.90 2.09%	836,594.99 13,602.81	0.98% 47,242.79	A2 / A NR	4.03 3.69
69371RQ25	Paccar Financial Corp Note 2.150% Due 08/15/2024	450,000.00	08/08/2019 2.20%	449,005.50 449,005.50	99.98 2.16%	449,890.20 1,236.25	0.52% 884.70	A1 / A+ NR	4.88 4.59

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Holdings Report

As of September 30, 2023

Moulton Niguel Water District Operating Reserve - Account #40

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 Fitch	Maturity Duration
94974BGA2	Wells Fargo Corp Note 3.300% Due 09/09/2024	1,100,000.00	09/11/2019 2.37%	1,147,762.00 1,147,762.00	104.39 2.35%	1,148,317.50 2,218.33	1.33% 555.50	A2 / A- A+	4.95 4.55
TOTAL US Corporate		20,152,000.00	2.60%	20,080,949.32	2.01%	96,280.59	23.70% 385,462.98	A1 / A+ A+	2.59 2.43
US Treasury									
912828RR3	US Treasury Note 2.000% Due 11/15/2021	1,425,000.00	01/18/2012 1.90%	1,437,585.78 1,437,585.78	100.75 1.64%	1,435,743.08 10,764.95	1.67% (1,842.70)	Aaa / AA+ AAA	2.13 2.06
912828SF8	US Treasury Note 2.000% Due 02/15/2022	1,025,000.00	07/31/2014 2.33%	1,001,701.37 1,001,701.37	100.92 1.60%	1,034,409.50 2,618.21	1.20% 32,708.13	Aaa / AA+ AAA	2.38 2.31
912828SV3	US Treasury Note 1.750% Due 05/15/2022	2,000,000.00	07/29/2013 2.41%	1,895,945.50 1,895,945.50	100.41 1.59%	2,008,124.00 13,220.11	2.33% 112,178.50	Aaa / AA+ AAA	2.62 2.54
912828TJ9	US Treasury Note 1.625% Due 08/15/2022	2,000,000.00	Various 2.17%	1,910,562.70 1,910,562.70	100.13 1.58%	2,002,656.00 4,150.81	2.31% 92,093.30	Aaa / AA+ AAA	2.88 2.79
912828TY6	US Treasury Note 1.625% Due 11/15/2022	1,600,000.00	05/27/2014 2.37%	1,509,318.90 1,509,318.90	100.14 1.58%	1,602,187.20 9,820.65	1.86% 92,868.30	Aaa / AA+ AAA	3.13 3.02
912828VB3	US Treasury Note 1.750% Due 05/15/2023	1,800,000.00	Various 2.37%	1,713,425.18 1,713,425.18	100.58 1.58%	1,810,476.00 11,898.10	2.10% 97,050.82	Aaa / AA+ AAA	3.62 3.48
912828B66	US Treasury Note 2.750% Due 02/15/2024	1,725,000.00	Various 1.97%	1,819,091.87 1,819,091.87	104.96 1.57%	1,810,642.80 6,058.60	2.09% (8,449.07)	Aaa / AA+ AAA	4.38 4.11
912828J27	US Treasury Note 2.000% Due 02/15/2025	2,000,000.00	08/15/2017 2.15%	1,979,929.88 1,979,929.88	102.11 1.59%	2,042,110.00 5,108.70	2.36% 62,180.12	Aaa / AA+ AAA	5.38 5.07
912828M56	US Treasury Note 2.250% Due 11/15/2025	1,400,000.00	01/25/2018 2.64%	1,361,828.13 1,361,828.13	103.71 1.61%	1,451,898.00 11,898.10	1.69% 90,069.87	Aaa / AA+ AAA	6.13 5.67
912828R36	US Treasury Note 1.625% Due 05/15/2026	1,800,000.00	Various 2.00%	1,753,064.10 1,753,064.10	100.05 1.62%	1,800,844.20 11,048.23	2.09% 47,780.10	Aaa / AA+ AAA	6.63 6.22
TOTAL US Treasury		16,775,000.00	2.22%	16,382,453.41	1.59%	86,586.46	19.69% 616,637.37	Aaa / AA+ Aaa	3.99 3.79
TOTAL PORTFOLIO		84,327,005.54	2.50%	84,294,301.74	1.82%	421,985.38	100.00% 2,053,377.72	Aa1 / AA Aaa	3.70 3.41
TOTAL MARKET VALUE PLUS ACCRUALS						86,769,664.84			

Holdings Report

As of September 30, 2019

Moulton Niguel Water District 2015 REV REF RSV - Account #46

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 Fitch	Maturity Duration
Agency									
313378J77	FHLB Note 1.875% Due 03/13/2020	95,000.00	04/19/2016 1.20%	97,449.10 97,449.10	100.01 1.86%	95,005.23 89.06	7.20% (2,443.87)	Aaa / AA+ NR	0.45 0.45
3130A7CV5	FHLB Note 1.375% Due 02/18/2021	95,000.00	04/12/2016 1.34%	95,171.00 95,171.00	99.48 1.76%	94,503.06 156.02	7.16% (667.94)	Aaa / AA+ AAA	1.39 1.36
3135G0Q89	FNMA Note 1.375% Due 10/07/2021	95,000.00	Various 1.61%	94,023.65 94,023.65	99.43 1.66%	94,461.73 631.36	7.19% 438.08	Aaa / AA+ AAA	2.02 1.97
3135G0S38	FNMA Note 2.000% Due 01/05/2022	90,000.00	04/24/2017 1.92%	90,320.40 90,320.40	100.72 1.68%	90,643.95 430.00	6.89% 323.55	Aaa / AA+ AAA	2.27 2.20
3135G0T78	FNMA Note 2.000% Due 10/05/2022	120,000.00	01/09/2018 2.36%	118,074.00 118,074.00	101.02 1.65%	121,218.84 1,173.33	9.26% 3,144.84	Aaa / AA+ AAA	3.02 2.89
3135G0T94	FNMA Note 2.375% Due 01/19/2023	100,000.00	06/13/2018 2.91%	97,733.00 97,733.00	102.49 1.60%	102,485.40 475.00	7.79% 4,752.40	Aaa / AA+ AAA	3.31 3.16
3137EAEN5	FHLMC Note 2.750% Due 06/19/2023	100,000.00	09/14/2018 2.97%	99,024.00 99,024.00	104.04 1.63%	104,042.80 779.17	7.93% 5,018.80	Aaa / AA+ AAA	3.72 3.51
3137EAEN5	FHLB Note 3.375% Due 12/08/2023	100,000.00	02/21/2019 2.62%	103,378.00 103,378.00	106.99 1.64%	106,992.30 1,059.38	8.18% 3,614.30	Aaa / AA+ AAA	4.19 3.88
TOTAL Agency		795,000.00	2.15%	795,173.15	1.68%	809,353.31	61.60%	Aaa / AA+	2.61
						4,793.32	14,180.16	Aaa	2.49
Cash									
90CASH\$00	Cash Custodial Cash Account	13,125.51	Various 0.00%	13,125.51 13,125.51	1.00 0.00%	13,125.51 0.00	0.99% 0.00	NR / NR NR	0.00 0.00
TOTAL Cash		13,125.51	0.00%	13,125.51	0.00%	13,125.51	0.99%	NR / NR	0.00
						0.00	0.00	NR	0.00
US Treasury									
912828UV0	US Treasury Note 1.125% Due 03/31/2020	25,000.00	04/14/2016 1.10%	25,026.45 25,026.45	99.63 1.87%	24,908.20 0.77	1.88% (118.25)	Aaa / AA+ AAA	0.50 0.50
912828WCO	US Treasury Note 1.750% Due 10/31/2020	95,000.00	04/14/2016 1.21%	97,263.99 97,263.99	99.93 1.81%	94,936.92 695.72	7.24% (2,327.07)	Aaa / AA+ AAA	1.09 1.06
912828WN6	US Treasury Note 2.000% Due 05/31/2021	70,000.00	07/11/2016 1.01%	73,281.48 73,281.48	100.46 1.72%	70,325.36 470.49	5.36% (2,956.12)	Aaa / AA+ AAA	1.67 1.62
912828G53	US Treasury Note 1.875% Due 11/30/2021	100,000.00	01/18/2017 1.89%	99,926.12 99,926.12	100.53 1.63%	100,527.30 630.12	7.65% 601.18	Aaa / AA+ AAA	2.17 2.10

Holdings Report

As of September 30, 2019

Moulton Niguel Water District 2015 REV REF RSV - Account #46

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 Fitch	Maturity Duration
912828L24	US Treasury Note 1.875% Due 08/31/2022	100,000.00	09/18/2017 1.84%	100,172.21 100,172.21	100.84 1.58%	100,839.80 159.68	7.64% 667.59	Aaa / AA+ AAA	2.92 2.83
912828T91	US Treasury Note 1.625% Due 10/31/2023	100,000.00	06/18/2019 1.84%	99,117.19 99,117.19	100.21 1.57%	100,214.80 680.03	7.63% 1,097.61	Aaa / AA+ AAA	4.09 3.91
TOTAL US Treasury		490,000.00	1.57%	494,787.44	1.67%	491,752.38 2,636.81	37.41% (3,035.06)	Aaa / AA+ Aaa	2.35 2.27
TOTAL PORTFOLIO		1,298,125.51	1.91%	1,303,086.10	1.66%	1,314,231.20 7,430.13	100.00% 11,145.10	Aaa / AA+ Aaa	2.49 2.38
TOTAL MARKET VALUE PLUS ACCRUALS						1,321,661.33			

Section 4 | Transactions

Transaction Ledger

Moulton Niguel Water District Liquid Fund - Account #41

June 30, 2019 through September 30, 2019

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	07/15/2019	90LAIF\$00	101,855.87	Local Agency Investment Fund State Pool	1.000	2.41%	101,855.87	0.00	101,855.87	0.00
Subtotal			101,855.87				101,855.87	0.00	101,855.87	0.00
Security Contribution	07/03/2019	90LAIF\$00	1,000,000.00	Local Agency Investment Fund State Pool	1.000		1,000,000.00	0.00	1,000,000.00	0.00
Security Contribution	08/30/2019	90LAIF\$00	1,100,000.00	Local Agency Investment Fund State Pool	1.000		1,100,000.00	0.00	1,100,000.00	0.00
Security Contribution	09/25/2019	90LAIF\$00	3,500,000.00	Local Agency Investment Fund State Pool	1.000		3,500,000.00	0.00	3,500,000.00	0.00
Subtotal			5,600,000.00				5,600,000.00	0.00	5,600,000.00	0.00
TOTAL ACQUISITIONS			5,701,855.87				5,701,855.87	0.00	5,701,855.87	0.00
DISPOSITIONS										
Security Withdrawal	07/15/2019	90LAIF\$00	1,500,000.00	Local Agency Investment Fund State Pool	1.000		1,500,000.00	0.00	1,500,000.00	0.00
Security Withdrawal	07/30/2019	90LAIF\$00	1,100,000.00	Local Agency Investment Fund State Pool	1.000		1,100,000.00	0.00	1,100,000.00	0.00
Security Withdrawal	08/09/2019	90LAIF\$00	350,000.00	Local Agency Investment Fund State Pool	1.000		350,000.00	0.00	350,000.00	0.00
Security Withdrawal	08/14/2019	90LAIF\$00	5,800,000.00	Local Agency Investment Fund State Pool	1.000		5,800,000.00	0.00	5,800,000.00	0.00
Security Withdrawal	08/15/2019	90LAIF\$00	1,900,000.00	Local Agency Investment Fund State Pool	1.000		1,900,000.00	0.00	1,900,000.00	0.00
Security Withdrawal	08/26/2019	90LAIF\$00	4,000,000.00	Local Agency Investment Fund State Pool	1.000		4,000,000.00	0.00	4,000,000.00	0.00
Subtotal			14,650,000.00				14,650,000.00	0.00	14,650,000.00	0.00
TOTAL DISPOSITIONS			14,650,000.00				14,650,000.00	0.00	14,650,000.00	0.00

Transaction Ledger

As of September 30, 2019

Moulton Niguel Water District Limited Maturity - Account #42

June 30, 2019 through September 30, 2019

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
DISPOSITIONS										
Sale	08/29/2019	3133ECPD0	815,000.00	FFCB Note 1.42% Due: 05/13/2020	99.664	1.90%	812,261.60	3,407.61	815,669.21	8,761.25
Sale	08/29/2019	912828U73	750,000.00	US Treasury Note 1.375% Due: 12/15/2019	99.840	1.92%	748,798.83	2,113.22	750,912.05	6,591.80
Sale	09/06/2019	02587AAJ3	2,000,000.00	American Express Credit 2017-1 1.93% Due: 09/15/2022	99.922	2.12%	1,998,437.50	2,251.67	2,000,689.17	28,515.62
Sale	09/06/2019	161571HE7	2,000,000.00	Chase CHAIT Pool # 2016-A4 1.49% Due: 07/15/2022	99.691	1.71%	1,993,828.13	1,738.33	1,995,566.46	46,250.00
Sale	09/06/2019	17305EFW0	600,000.00	Citibank Credit Card Issuance 2016-A1 A1 1.75% Due: 11/19/2021	99.914	1.82%	599,484.38	3,120.83	602,605.21	6,843.75
Subtotal			6,165,000.00				6,152,810.44	12,631.66	6,165,442.10	96,962.42
Maturity	08/01/2019	3137EADK2	250,000.00	FHLMC Note 1.25% Due: 08/01/2019	100.000		250,000.00	0.00	250,000.00	1,550.00
Maturity	08/15/2019	3133X8AS1	2,000,000.00	FHLB Note 5.125% Due: 08/15/2019	100.000		2,000,000.00	0.00	2,000,000.00	-303,860.00
Maturity	09/11/2019	06406HCW7	450,000.00	Bank of New York Callable Note Cont 8/11/2019 2.3% Due: 09/11/2019	100.000		450,000.00	0.00	450,000.00	-1,017.00
Maturity	09/13/2019	96130ABJ6	1,200,000.00	Westpac Banking Corp NY Yankee CD 2.97% Due: 09/13/2019	100.000		1,200,000.00	27,027.00	1,227,027.00	0.00
Subtotal			3,900,000.00				3,900,000.00	27,027.00	3,927,027.00	-303,327.00
TOTAL DISPOSITIONS			10,065,000.00				10,052,810.44	39,658.66	10,092,469.10	-206,364.58

Transaction Ledger

Moulton Niguel Water District Operating Reserve - Account #40

June 30, 2019 through September 30, 2019

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	07/02/2019	3137B7YY9	500,000.00	FHLMC K037 A2 3.49% Due: 01/25/2024	105.453	2.12%	527,265.63	48.47	527,314.10	0.00
Purchase	07/17/2019	3130AGDY8	1,100,000.00	FHLB Note 2.75% Due: 06/08/2029	102.484	2.47%	1,127,324.00	6,218.06	1,133,542.06	0.00
Purchase	07/26/2019	3137FAE0	1,000,000.00	FHMS K727 A2 2.946% Due: 07/25/2024	103.105	1.66%	1,031,054.69	2,045.83	1,033,100.52	0.00
Purchase	07/31/2019	880591EU2	1,300,000.00	Tennessee Valley Authority Note 2.875% Due: 02/01/2027	104.186	2.26%	1,354,418.00	18,687.50	1,373,105.50	0.00
Purchase	08/15/2019	69371RQ25	450,000.00	Paccar Financial Corp Note 2.15% Due: 08/15/2024	99.779	2.20%	449,005.50	0.00	449,005.50	0.00
Purchase	08/27/2019	43815NAC8	620,000.00	HAROT 2019-3 A3 1.78% Due: 08/15/2023	99.999	1.79%	619,994.85	0.00	619,994.85	0.00
Purchase	09/13/2019	94974BGA2	1,100,000.00	Wells Fargo Corp Note 3.3% Due: 09/09/2024	104.342	2.37%	1,147,762.00	403.33	1,148,165.33	0.00
Subtotal			6,070,000.00				6,256,824.67	27,403.19	6,284,227.86	0.00
TOTAL ACQUISITIONS			6,070,000.00				6,256,824.67	27,403.19	6,284,227.86	0.00
DISPOSITIONS										
Sale	07/01/2019	912828RC6	500,000.00	US Treasury Note 2.125% Due: 08/15/2021	100.707	1.78%	503,535.16	3,991.71	507,526.87	7,185.50
Sale	07/17/2019	3135G0H55	1,050,000.00	FNMA Note 1.875% Due: 12/28/2020	99.882	1.96%	1,048,761.00	1,039.06	1,049,800.06	-1,144.50
Sale	07/24/2019	3137EAEC9	850,000.00	FHLMC Note 1.125% Due: 08/12/2021	98.490	1.88%	837,165.00	4,303.13	841,468.13	-4,717.50
Sale	07/31/2019	3130A7CV5	1,275,000.00	FHLB Note 1.375% Due: 02/18/2021	99.130	1.95%	1,263,907.50	7,937.76	1,271,845.26	-5,941.50
Sale	08/12/2019	3130A7CV5	200,000.00	FHLB Note 1.375% Due: 02/18/2021	99.527	1.69%	199,054.00	1,329.17	200,383.17	-138.00

Transaction Ledger

As of September 30, 2019

Moulton Niguel Water District Operating Reserve - Account #40

June 30, 2019 through September 30, 2019

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Sale	08/15/2019	3130A7CV5	65,000.00	FHLB Note 1.375% Due: 02/18/2021	99.587	1.65%	64,731.55	439.43	65,170.98	-5.85
Sale	08/26/2019	912828RC6	425,000.00	US Treasury Note 2.125% Due: 08/15/2021	101.137	1.54%	429,831.05	269.96	430,101.01	7,933.85
Sale	09/12/2019	3130A7CV5	40,000.00	FHLB Note 1.375% Due: 02/18/2021	99.390	1.81%	39,756.00	36.67	39,792.67	-82.40
Sale	09/12/2019	3135G0H55	615,000.00	FNMA Note 1.875% Due: 12/28/2020	100.084	1.81%	615,516.60	2,370.31	617,886.91	571.95
Sale	09/12/2019	912828RC6	250,000.00	US Treasury Note 2.125% Due: 08/15/2021	100.824	1.69%	252,060.55	404.21	252,464.76	3,885.72
Sale	09/12/2019	912828RR3	125,000.00	US Treasury Note 2% Due: 11/15/2021	100.746	1.65%	125,932.62	815.22	126,747.84	-171.40
Subtotal			5,395,000.00				5,380,251.03	22,936.63	5,403,187.66	7,375.87
41	TOTAL DISPOSITIONS		5,395,000.00				5,380,251.03	22,936.63	5,403,187.66	7,375.87

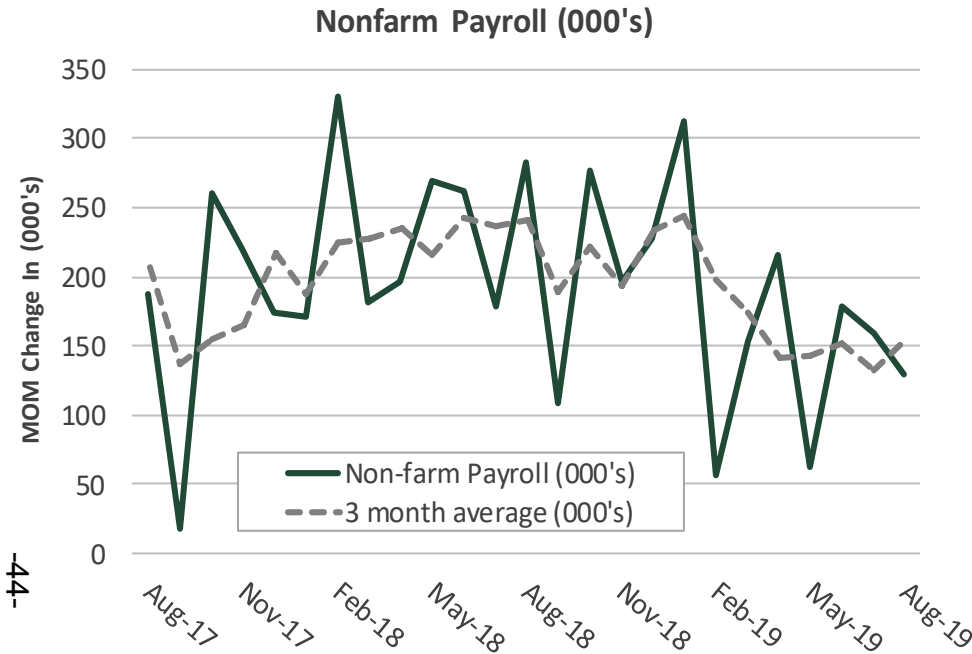
Section 5 | Economic Updates

Economic Update

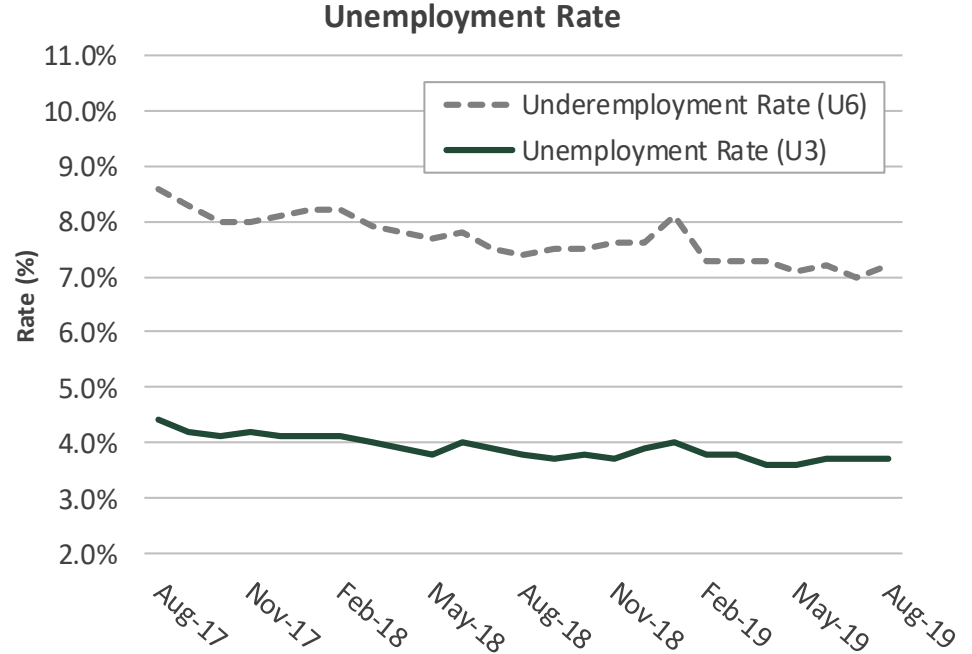
- In our view, US domestic economic data remains consistent with a slow growth environment but downside risks to the outlook have increased. The US labor market is strong, wages are growing modestly, and inflation remains contained. However, headwinds from trade disputes, slowing global economic growth, an uncertain outlook for Brexit, and geopolitical tensions have increased. The trajectory of economic growth is likely to hinge on the outcome of ongoing trade negotiations as well as policy action by the major global central banks. We believe there is a high level of political pressure to make progress toward a trade agreement with China before the election cycle heats up. We also believe a dovish collective stance by major global central banks should help to combat the headwinds to global economic growth.
- The Federal Open Market Committee (FOMC) lowered the target fed funds rate by 25 basis points in September (for the second time this year) to a range of 1.75%-2.00%. There were three dissenting votes; one policymaker favored a 50-basis point rate cut, and two policymakers favored leaving the fed funds rate unchanged. According to the Fed's dot plot, only seven out of 17 policymakers are anticipating another rate cut before year-end. Although there is a growing disparity among policymakers about the appropriate path of monetary policy, Fed Chair Powell's press conference suggested the Fed will be flexible and data dependent. Powell indicated more rate cuts may be appropriate if the economy slows further, but the Fed is not on a preset course. We believe policymakers are likely to favor additional monetary policy accommodation in the form of another rate cut over the intermediate-term, unless there is some improvement in market-based measures of inflation.
- Treasury yields declined in August. The 3-month T-bill yield declined nearly nine basis points to 1.976%, the 2-year Treasury yield declined nearly 37 basis points to 1.504%, and the 10-year Treasury yield declined about 52 basis points to 1.496%. An inversion of the yield curve in which the 10-year Treasury yield is lower than both the 3-month T-bill yield and the 2-year Treasury yield is generally viewed as a powerful predictive signal of an upcoming recession. We believe downside risks to the economy are elevated. However, we believe increased short-term Treasury issuance to fund the deficit, and negative sovereign bond yields in other countries may be distorting the US Treasury yield curve. German sovereign bond yields from 1-month out to 30-years were all negative at August month-end.

Source: Bloomberg

Employment



Source: US Department of Labor

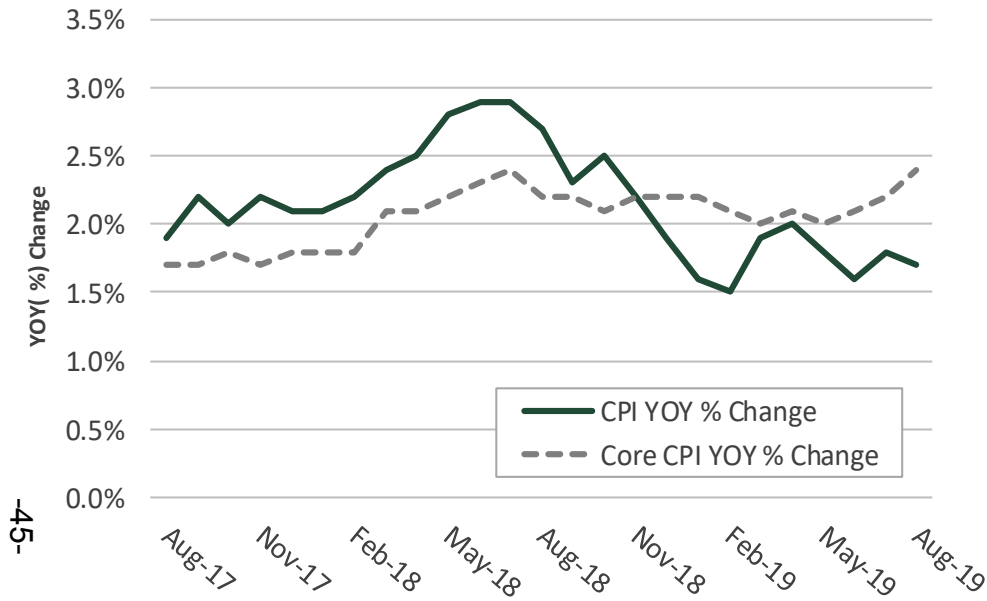


Source: US Department of Labor

U.S. nonfarm payrolls rose by 130,000 in August, below expectations of 160,000. On a trailing 3-month and 6-month average basis, payrolls increased an average of about 156,000 and 150,000 per month, respectively, which represents a moderate decline from the 12-month average of 173,000. The unemployment rate was unchanged at 3.7% in August, despite an increase in the participation rate to 63.2% from 63.0% in July. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 7.2% in August after declining to 7.0% in July (the lowest level since December 2000). Wages rose 0.4% in August on a month-over-month basis (slightly above expectations), following a 0.3% increase in July. On a year-over-year basis, wages were up 3.2% in August, versus up 3.3% in July. The August employment report suggests that the pace of job growth is slowing but wages are rising, which is consistent with a tight labor market.

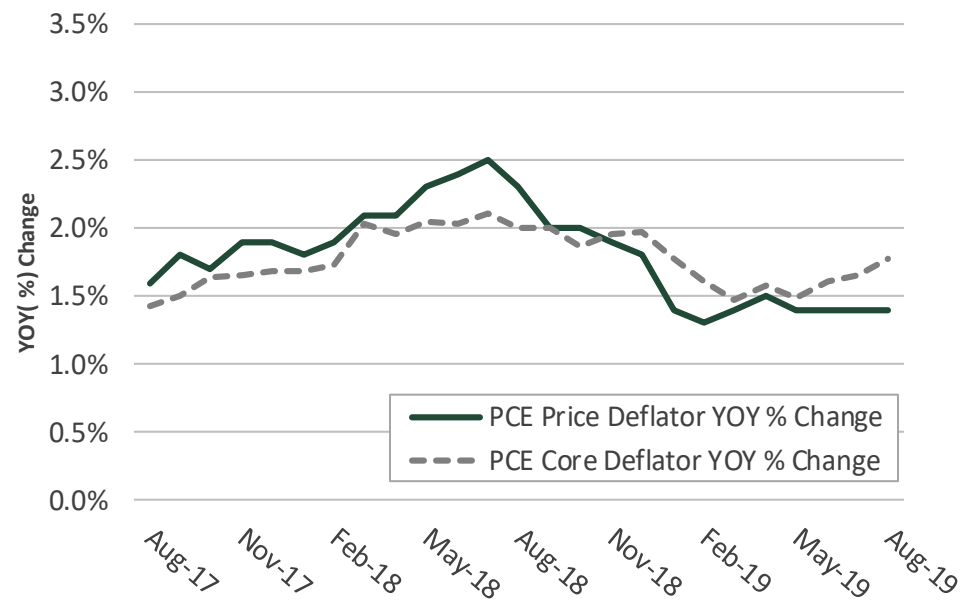
Inflation

Consumer Price Index (CPI)



Source: US Department of Labor

Personal Consumption Expenditures (PCE)

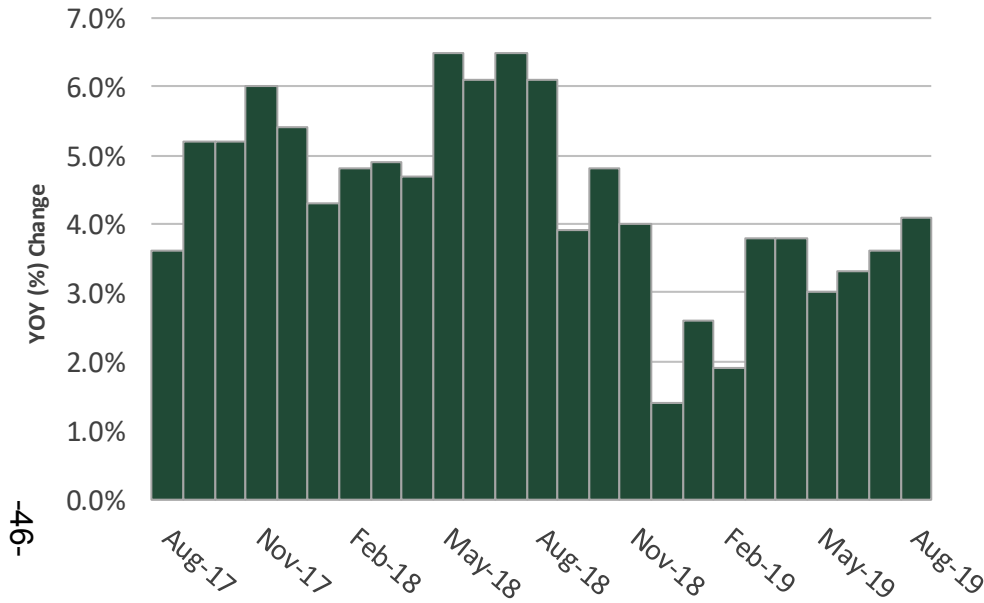


Source: US Department of Commerce

The Consumer Price Index (CPI) was up 1.7% year-over-year in August, versus up 1.8% year-over-year in July. Core CPI (CPI less food and energy) was up 2.4% year-over-year in August, versus up 2.2% year-over-year in July. The Personal Consumption Expenditures (PCE) index was up 1.4% year-over-year in August, unchanged from July. Core PCE, which is the Fed's primary inflation gauge, was up 1.8% year-over-year in August versus 1.7% year-over-year in July. Core PCE remains below the Fed's 2.0% inflation target.

Consumer

Retail Sales YOY % Change



Source: US Department of Commerce

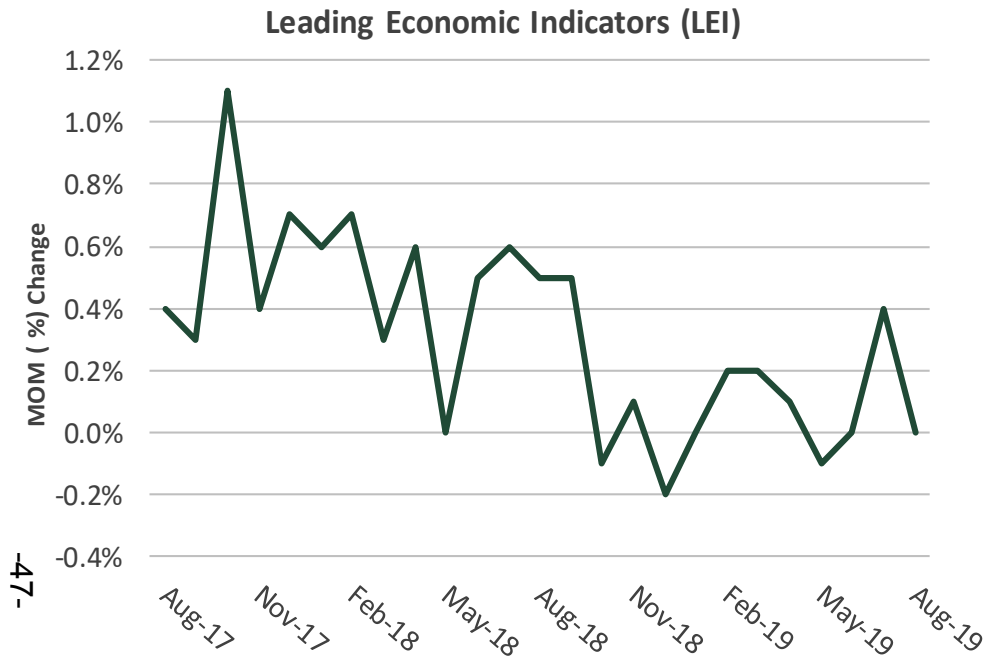
Consumer Confidence



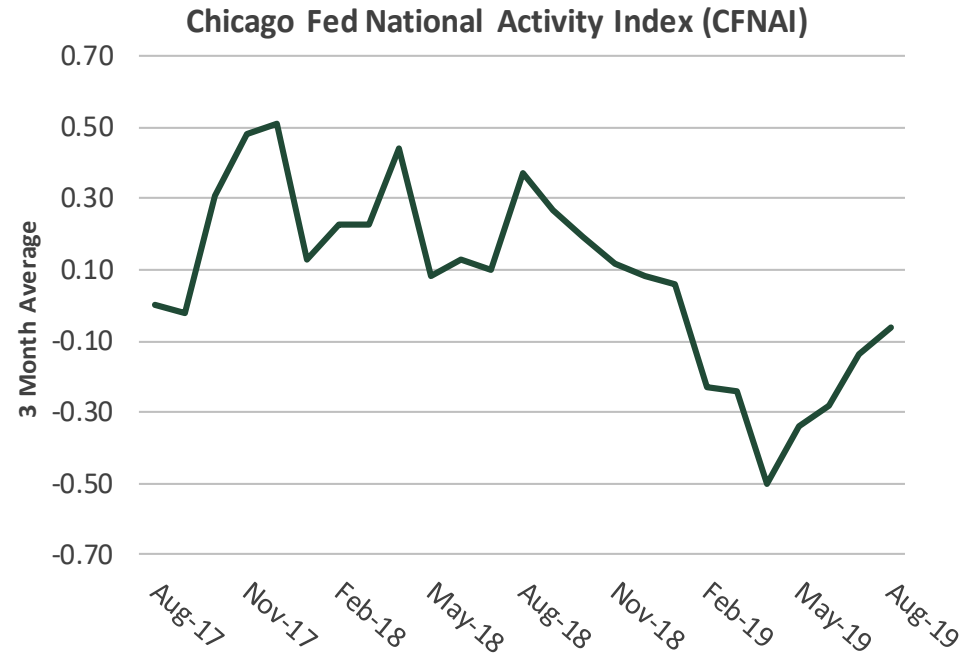
Source: The Conference Board

Retail sales in August were moderately above consensus expectations, coming in at 0.4% compared to the 0.2% estimate. Excluding auto and gas, retail sales were up 0.1% compared to expectations for a 0.2% increase. On a year-over-year basis retail sales increased by 4.1%, a modest increase from the prior year-over-year number of 3.6%. The Consumer Confidence Index unexpectedly declined to 125.1 in September from 134.2 in August. Nevertheless, the index remains at a strong level.

Economic Activity



Source: The Conference Board

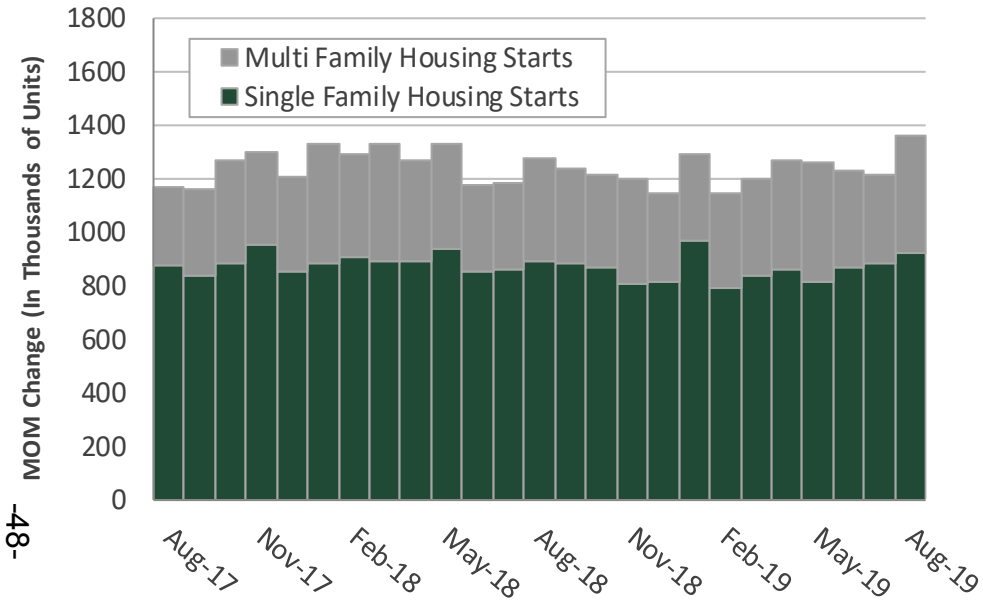


Source: Federal Reserve Bank of Chicago

The Leading Economic Index (LEI) was flat in August, in line with expectations, following a 0.4% increase in July. While the LEI remains higher on a year-over-year basis (up 1.1% in August) the pace of year-over-year improvement continues to decline, and the index suggests broad economic growth will continue to slow. The Chicago Fed National Activity Index (CFNAI) increased to 0.10 in August from -0.41 in July. On a 3-month moving average basis, the index improved to -0.06 in August versus -0.14 in July. Negative values are generally consistent with below-average growth. However, periods of economic contraction have historically been associated with values below -0.70 on a 3-month moving average basis.

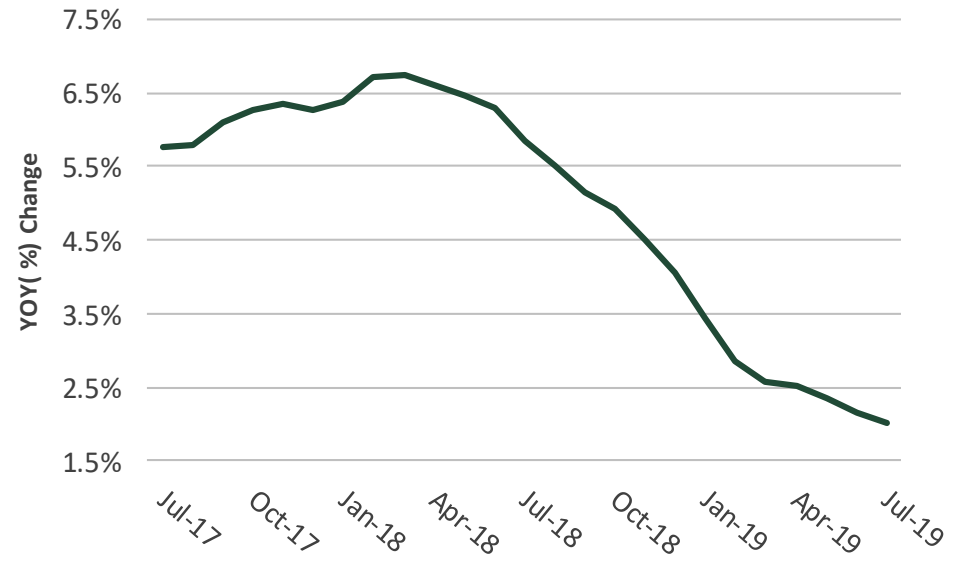
Housing

Housing Starts



Source: US Department of Commerce

S&P/Case-Shiller 20 City Composite Home Price Index



Source: S&P

Housing starts were much stronger than expected in August, up 12.3% month-over-month to a 1.364 million annualized rate. Multi-family starts jumped 32.8% month-over-month to an annualized rate of 445,000, while single-family starts rose 4.4% to an annualized rate of 919,000. On a year-over-year basis, total housing starts were up 6.6% in August. Permits were also stronger than expected in the month. Although housing data tends to be volatile on a month-over-month basis, the August report and three-month moving averages suggest that housing activity is accelerating. According to the Case-Shiller 20-City home price index, home prices were up just 2.0% year-over-year in July, versus up 2.2% in June. The year-over-year pace of price appreciation is at a 7-year low.

Manufacturing



Source: Institute for Supply Management



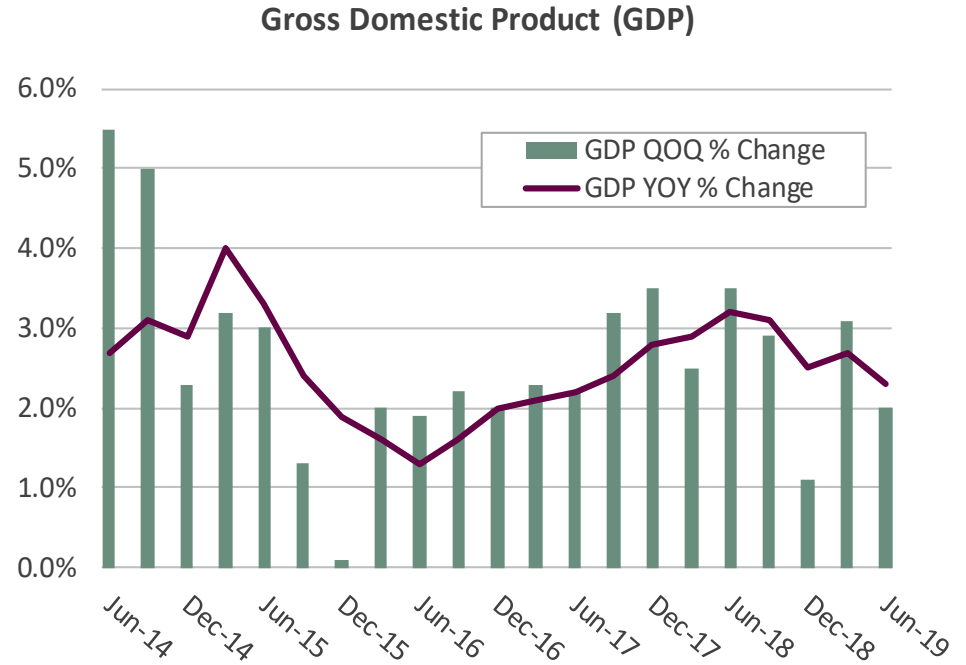
Source: Federal Reserve

The Institute for Supply Management (ISM) manufacturing index declined to 49.1 in August, below expectations of 51.3, from 51.2 in July. A reading below 50.0 suggests the manufacturing sector is contracting. New orders also fell below 50.0 in August. Overall, the ISM Manufacturing report suggests that the outlook for the manufacturing sector is weak. The Industrial Production index was up 0.4% year-over-year in August versus up 0.5% year-over-year in July. On a month-over-month basis, the index rose 0.6% in August, above the consensus forecast of 0.2%. The manufacturing component of the index rose 0.5% in August, above the 0.1% consensus, following a 0.4% decline in July. Capacity Utilization increased to 77.9% in August from 77.5% in July, but remains below the long-run average of 79.8% indicating there is still excess capacity for growth.

Gross Domestic Product (GDP)

Components of GDP	9/18	12/18	3/19	6/19
Personal Consumption Expenditures	2.3%	1.0%	0.8%	3.0%
Gross Private Domestic Investment	2.3%	0.5%	1.1%	-1.2%
Net Exports and Imports	-2.1%	-0.4%	0.7%	-0.7%
Federal Government Expenditures	0.2%	0.1%	0.1%	0.5%
State and Local (Consumption and Gross Investment)	0.2%	-0.1%	0.4%	0.3%
Total	2.9%	1.1%	3.1%	2.0%

Source: US Department of Commerce

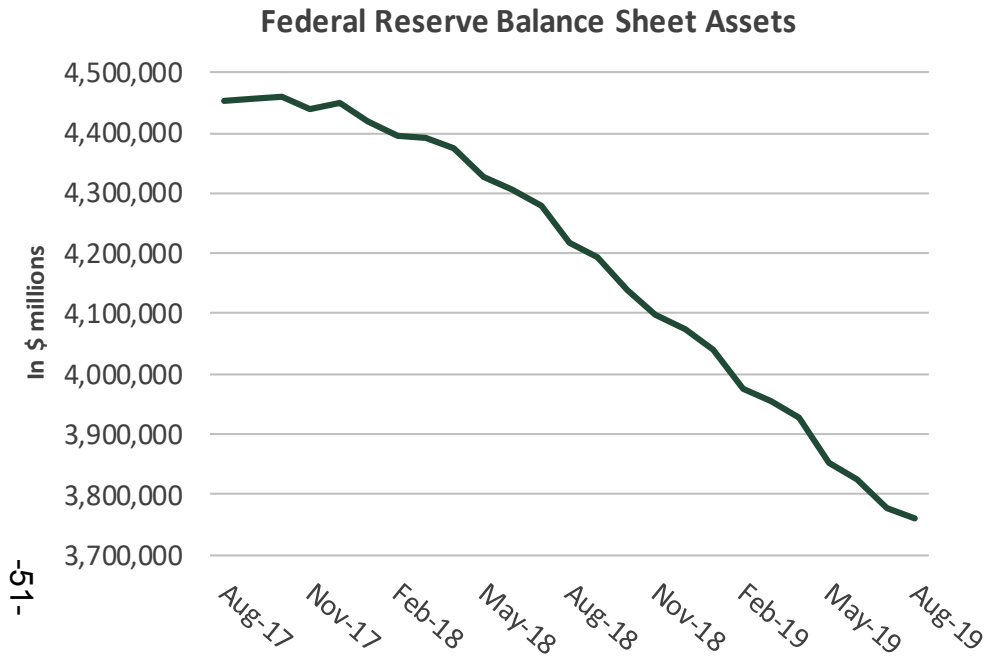


Source: US Department of Commerce

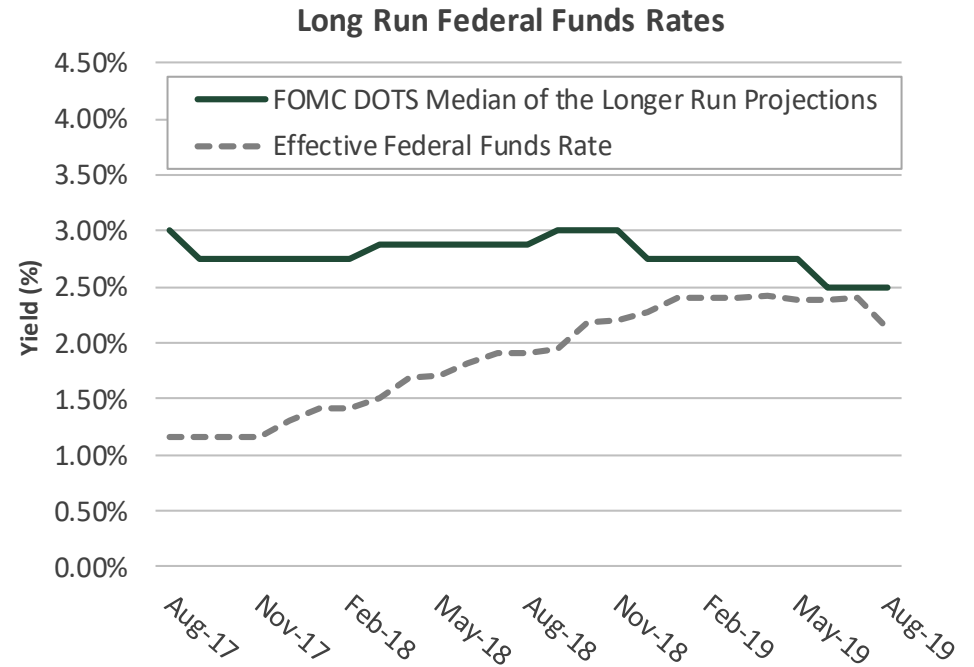
Second quarter GDP grew at an annualized rate of 2.0% following growth of 3.1% in the first quarter. Although the overall pace of GDP growth slowed in the second quarter (as expected), personal consumption expenditures accelerated and were up 4.6% in Q2, following sluggish growth of just 1.1% in Q1. Personal consumption expenditures contributed 3.00 percentage points to Q2 GDP, federal government spending contributed 0.53 percentage points, and state & local government spending contributed 0.29 percentage points. Meanwhile, gross private domestic investment and net exports were a drag on Q2 GDP growth. The consensus forecast calls for GDP growth of 1.9% in the third quarter and 1.7% in the fourth quarter, for full year growth of about 2.0-2.5% versus 2.9% growth in 2018.

-50-

Federal Reserve



Source: Federal Reserve

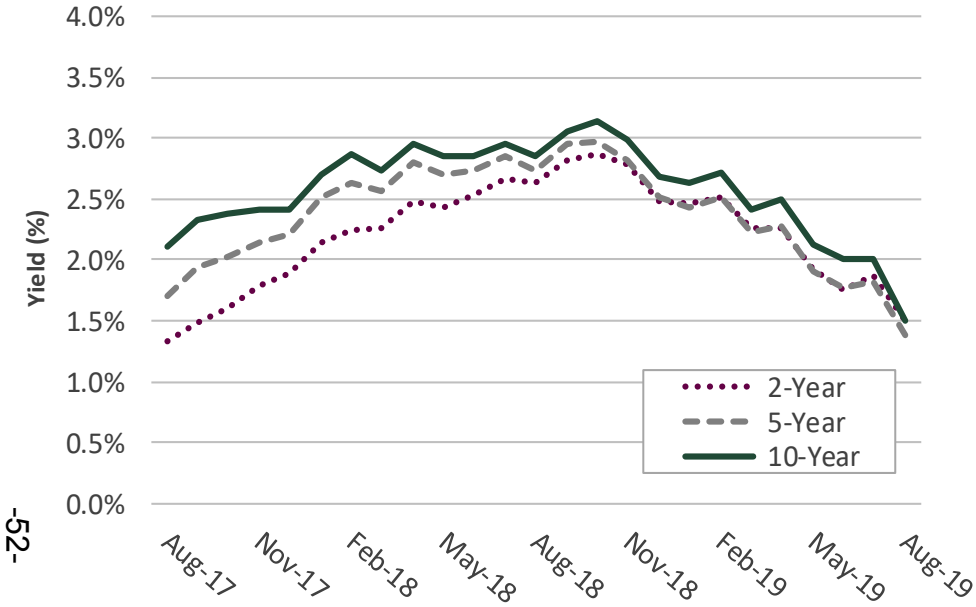


Source: Bloomberg

Fed policymakers have signaled they are prepared to act as appropriate to incoming data in order to sustain the economic expansion. The FOMC has cut the fed funds rate by 25 basis points twice this year and concluded its balance sheet normalization program in August. The Fed had been normalizing the size of its balance sheet since October 2017, by allowing a specified amount of Treasury, mortgage-backed, and agency securities to roll off each month. The Fed is now considering whether to begin buying small amounts of Treasury securities on a regular basis to prevent the amount of money in the banking system from declining. They will be studying the implications carefully before making any decision and will make an announcement at the next FOMC meeting in October. If they do decide to start organically expanding their balance sheet, it would essentially be a return to the normal pre-crisis practice of allowing the Fed's balance sheet to expand in line with the overall economy and not a form of quantitative easing.

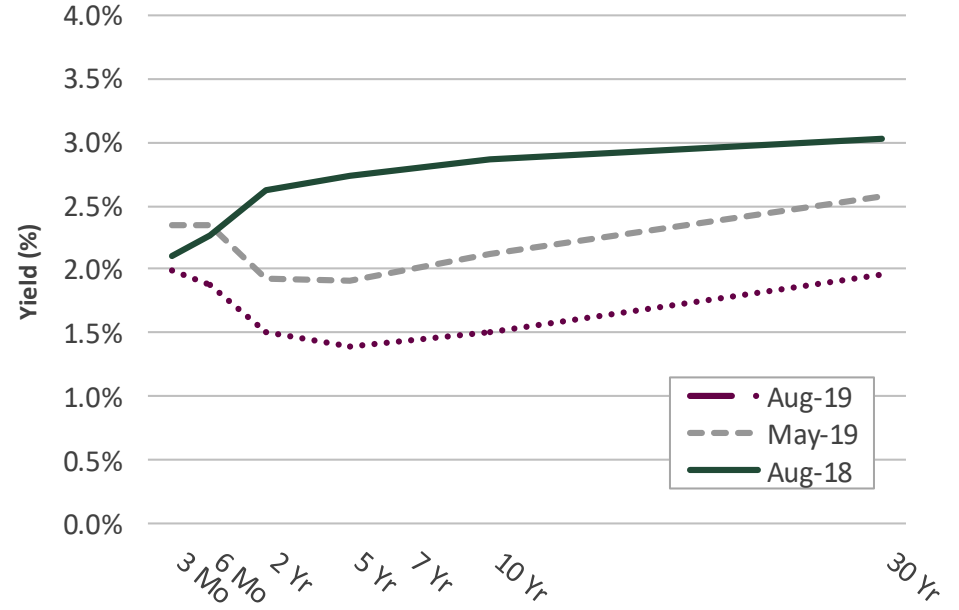
Bond Yields

US Treasury Note Yields



Source: Bloomberg

US Treasury Yield Curve



Source: Bloomberg

The shape of the Treasury yield curve has changed significantly on a year-over-year basis. As of August month-end, the 3-month T-bill yield was down 12 basis points, the 2-Year Treasury yield was down nearly 115 basis points, and the 10-Year Treasury yield was down nearly 136 basis points, year-over-year. The current shape of the yield curve implies that market participants are pricing-in additional rate cuts. We believe the year-over-year decline in long-term Treasury yields reflects a high level of market participants' nervousness about the outlook for global economic growth and a decline in global inflation expectations.

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Information contained herein is confidential. Prices are provided by IDC, an independent pricing source. In the event IDC does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody's and Fitch respectively.

Benchmark Disclosures

As of September 30, 2017

ICE BAML 3-Month US Treasury Bill Index

The ICE BAML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. (Index: G001. Please visit www.mlindex.ml.com for more information)

ICE BAML 1-10 Yr US Treasury/Agency Index

The ICE BAML 1-10 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than ten years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: G5A0. Please visit www.mlindex.ml.com for more information)

ICE BAML 1-10 Yr US Corporate/Govt Rated AAA-A Idx

The ICE BAML 1-10 AAA-AA Year US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational and corporate securities. Qualifying securities must be rated AAA through AA3 (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity and less than ten years remaining term to final maturity, at least 18 months to final maturity at point of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for US Treasuries and \$250 million for all other securities. (Index: B5B0. Please visit www.mlindex.ml.com for more information)

ICE BAML 3-5 Yr US Treasury/Agency Index

The ICE BAML 3-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least three years remaining term to final maturity and less than five years remaining term to final maturity, at least three years to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: G2A0. Please visit www.mlindex.ml.com for more information)

ICE BAML 0-3 Yr US Treasury Index*

The ICE BAML 0-3 Year US Treasury Index tracks the performance of US Dollar denominated Sovereign debt publicly issued by the US government in its domestic market with maturities less than three years. Qualifying securities must have at least 18 months to maturity at point of issuance, at least one month and less than three years remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. (Index: G1QA. Please visit www.mlindex.ml.com for more information)

The ICE BAML 1-3 Year US Treasury Index tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. Qualifying securities must have at least 18 months to final maturity at the time of issuance. (Index: G1O2. Please visit www.mlindex.ml.com for more information)



moulton niguel water district

DRAFT

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT

September 12, 2019

A Regular Meeting of the Board of Directors of the Moulton Niguel Water District was held at the District offices, 26880 Aliso Viejo Parkway, Aliso Viejo, California, at 6:00 PM on September 12, 2019. There were present and participating:

DIRECTORS

Duane Cave	Vice President
Donald Froelich	Vice President
Kelly Jennings	Director
Bill Moorhead	Director
Brian Probolsky	President

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Rod Woods	Director of Engineering
Drew Atwater	Director of Finance & Water Resources
Todd Novacek	Director of Operations
Jose Solorio	Government Affairs Officer
Jeff Ferre	Best, Best, & Krieger (General Counsel)
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Matthew Brown	MNWD
Johnathan Cruz	MNWD
Todd Dmytryshyn	MNWD
Jesus Garibay Jr.	MNWD
James Glover	MNWD
Ian Morgan	MNWD

#5.

Doug Zytkevicz
Sherry Wanninger
Chris Palmer
John Kennedy
Scott Maloni

MNWD
CAC Member
California Special Districts Association
Orange County Water District
Poseidon Water

1. **CALL MEETING TO ORDER:**

The meeting was called to order by Brian Probolsky at 6:11 p.m.

2. **PLEDGE OF ALLEGIANCE:**

The Pledge of Allegiance was led by Bill Moorhead.

3. **PUBLIC COMMENTS:**

None.

PRESENTATION ITEMS:

4. UPDATE ON THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATIONS PROGRAMS

Chris Palmer, Public Affairs Field Coordinator for California Special Districts Association provided a presentation on California Special Districts Programs.

CONSENT CALENDAR ITEMS:(Items on the Consent Calendar have been discussed at the regularly scheduled Administrative and Technical Committee meetings)

5. **MINUTES OF THE AUGUST 8, 2019 BOARD OF DIRECTORS MEETING**

6. **MINUTES OF THE AUGUST 22, 2019 BOARD OF DIRECTORS MEETING**

7. **PLANT 3A PUMP REHABILITATION SERVICES**

It is recommended that the Board of Directors approve the Plant 3A Pump Rehabilitation Services Agreement with Power Brothers Machine, Inc. in the amount of \$90,465; authorize the General Manager or Assistant General Manager to execute the agreement, and to approve amendments up to 10% of the contract value.

8. **WASTEWATER INFLOW AND INFILTRATION FLOW MONITORING SERVICES**

It is recommended that the Board of Directors approve the agreement for wastewater inflow and infiltration flow monitoring services with ADS Corp. in the amount of \$239,500; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 20% of the contract value.

9. CONSTRUCTION CONTRACT AWARD FOR 650-ZONE NIGUEL ROAD INTERTIE

It is recommended that the Board of Directors award the construction services contract to Ferreira Construction in the amount of \$527,824; authorize the General Manager or Assistant General Manager to execute the contract; and to approve change orders up to 10% of the contract value.

10. PROFESSIONAL SERVICES AGREEMENT FOR STEEL RESERVOIR SEISMIC RETROFITS

It is recommended that the Board of Directors approve the Professional Services Agreement for engineering services with Lee & Ro, Inc. in the amount of \$331,433; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 10% of the contract value.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY BILL MOORHEAD, CONSENT ITEMS 5 THROUGH 10 WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

LEGAL MATTERS:

11. 2019 REPORT ON WATER QUALITY RELATIVE TO PUBLIC HEALTH GOALS – PUBLIC HEARING AND ADOPTION OF REPORT

It is recommended that the Board of Directors conduct a public hearing to receive public testimony regarding the proposed adoption of the 2019 Public Health Goals Report. Upon completion of the public hearing, it is recommended that the Board of Directors take action to approve the 2019 Report On Water Quality Relative To Public Health Goals as required under the Health And Safety Code.

Brian Probolsky opened the public hearing at 6:33 p.m. Upon hearing no public comments, the hearing was closed at 6:34 p.m.

MOTION DULY MADE BY KELLY JENNINGS AND SECONDED BY DONALD FROELICH, ITEM 11 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

TECHNICAL MATTERS:

14. MEMORANDUM OF UNDERSTANDING FOR HUNTINGTON BEACH OCEAN DESALTER

It is recommended that the Board of Directors approve the Memorandum of Understanding between Orange County Water District and Moulton Niguel Water

#5.

District regarding non-binding interest in the Huntington Beach Ocean Desalter.

This item was taken after Item 11. Joone Lopez provided a brief introduction to the item.

MOTION DULY MADE BY DONALD FROELICH AND SECONDED BY DUANE CAVE, ITEM 14 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

12. ON-CALL CONSTRUCTION SUPPORT SERVICES

It is recommended that the Board of Directors authorize the General Manager or Assistant General Manager to execute three-year Construction Support Services Agreements with Jamison Engineering Contractors, Inc. and Kingmen Construction, Inc. for a total not-to-exceed amount of \$750,000 each.

Rod Woods provided information on the item.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY BILL MOORHEAD, ITEM 12 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

13. FISCAL YEAR 2019-20 METER MAINTENANCE AND REPLACEMENT PROGRAM

It is recommended that the Board of Directors authorize meter and meter-related purchases for an amount not-to-exceed \$1,240,000 for Fiscal Year 2019-20.

Matt Collings provided details on the item. Discussion ensued regarding the program scope of work.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY BILL MOORHEAD, ITEM 13 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

ADMINISTRATIVE MATTERS:

15. REDUCTION OF LONG-TERM LIABILITIES (RESOLUTION 19-20) (RESOLUTION 19-21) (RESOLUTION 19-22)

It is recommended that the Board of Directors:

1. Approve the resolution entitled, "Authorizing Payment of the Remaining Principal and Accrued Interest for the Purchase Price of the Sewer Rehabilitation Project-Phase 1

from the California Infrastructure and Economic Development Bank (CIEDB 02-026)”.

2. Approve the resolution entitled, “Authorizing Payment of Remaining Principal on a Zero-Interest Rate Option for A State Water Resources Control Board State Revolving Fund (“SRF”) Loan for the Reclamation Phase IV Expansion Project (SRF 120)”.

3. Approve the resolution entitled, “Authorizing Payment of Remaining Principal and Accrued Interest for the Purchase Price of the Clor-Tec Phase 2 Project from the California Infrastructure and Economic Development Bank (CIEDB 01-020)”.

Drew Atwater provided information on the item.

MOTION DULY MADE BY KELLY JENNINGS AND SECONDED BY DUANE CAVE, ITEM 15 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING ‘AYE’.

16. METROPOLITAN FUTURE SUPPLY ACTIONS PROGRAM INTERAGENCY AGREEMENTS

It is recommended that the Board of Directors:

1. Authorize the General Manager or Assistant General Manager to execute the agreement with the Municipal Water District of Orange County for Future Supply Action Program funding.

2. Authorize the General Manager or Assistant General Manager to execute the agreement with the County of Orange to implement the Smart Watershed Network project for a program cost of \$411,508.

Drew Atwater provided details on the item. Discussion ensued regarding the agreement.

MOTION DULY MADE BY BILL MOORHEAD AND SECONDED BY DONALD FROELICH, ITEM 16 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING ‘AYE’.

17. REBATE APPLICATION FOR NATURESCAPE PROGRAM

It is recommended that the Board of Directors consider the NatureScape Program rebate application for Account No. 94023 without a limitation on the maximum allowable square footage and direct staff accordingly.

Drew Atwater provided information on the item. Discussion ensued regarding the application and program.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY KELLY JENNINGS,

ITEM 17 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

GENERAL MANAGER MATTERS:(Brief general updates on District matters and/or brief general updates from staff - Informational purposes only.)

Joone Lopez provided an update on the following District items:

- *Laguna Niguel Chamber Member Appreciation event was on August 8th*
- *Board and staff attended the Laguna Niguel Promenade Back to School event on August 10th*
- *Saddleback Valley Unified School District Board meeting recognizing the joint partnership in the District's retrofit program was August 15th*
- *Board and staff attended the City of Laguna Niguel 30th Anniversary event August 16th-18th*
- *4th Annual CA Data Collaborative Water Data Summit was August 22nd & 23rd and had over 200 attendees*
- *Orange County Chapter of WateReuse 10th Anniversary Luncheon was August 26th*
- *In conjunction with the 2019 California Water Data Challenge Datathon, the District hosted a local datathon and presented at Sustain SoCal's Water Solutions Workshop on August 29th*

BOARD REPORTS:

Kelly Jennings stated she attended the CaDC Water Summit and Sustain OC event and thanked staff for all the hard work.

Donald Froelich stated that he attended the Saddleback Valley Unified School District Board Meeting.

Bill Moorhead stated that he attended the California WateReuse conference.

Duane Cave complimented staff and all the great things that they continue to do.

PRESIDENT'S REPORT:

Brian Probolsky stated that he also attended the CaDC Water Summit and the Laguna Niguel 30-year Celebration.

FUTURE AGENDA ITEMS (Any items added under this section are for discussion at future meetings only.):

None.

LATE ITEMS: (Appropriate Findings to be Made)

None.

ADJOURNMENT:

The meeting was adjourned at 7:43 p.m.

Respectfully submitted,

Tim Bonita
Recording Secretary

DRAFT



moulton niguel water district

DRAFT MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT

September 26, 2019

A Regular Meeting of the Board of Directors of the Moulton Niguel Water District was held at the District offices, 26880 Aliso Viejo Pkwy, Suite 150, Aliso Viejo, California, at 5:00 PM on September 26, 2019. There were present and participating:

DIRECTORS

Duane Cave	Vice President
Richard Fiore	Director
Donald Froelich	Vice President
Kelly Jennings	Director
Bill Moorhead	Director
Brian Probolsky	President

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Rod Woods	Director of Engineering
Drew Atwater	Director of Finance & Water Resources
Gina Hillary	Director of Human Resources
Todd Novacek	Director of Operations
Jake Vollebregt	Director of Regional & Legal Affairs
Jeff Ferre	Best, Best, & Krieger (General Counsel)
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Matthew Brown	MNWD
Johnathan Cruz	MNWD
Todd Dmytryshyn	MNWD
Ronin Goodall	MNWD

#6.

Medha Patel	MNWD
Lindsey Stuvick	MNWD
Dan West	MNWD
Sherry Wanninger	CAC Member
Michael Hartel	Collier's International
Kevin Turner	Cushman & Wakefield
Scott Moorhead	Member of the Public
Patrick Versluis	Orange County Water District
Tim Strader Jr.	Starpointe Ventures

1. **CALL MEETING TO ORDER:**

Brian Probolsky called the meeting to order at 5:05 p.m.

CLOSED SESSION:

The Board entered closed session at 5:06 p.m. and exited at 5:57 p.m.

2. **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**

Pursuant to Government Code Section 54956.8
Property: 27500 La Paz Road, Laguna Niguel, CA
Agency Negotiator: Rod Woods, Director of Engineering
Negotiating Parties: TBD – Initiate listing of property
Under Negotiation: Price and terms of payment for a potential sale or lease

OPEN SESSION - 6:00 PM

4. **REPORT OUT OF CLOSED SESSION:**

Jeff Ferre stated that there was no reportable action on Item 2. The Board noted that Item 3 would be discussed following the open session.

5. **PLEDGE OF ALLEGIANCE:**

The Pledge of Allegiance was led by Duane Cave.

6. **PUBLIC COMMENTS:**

None.

ADMINISTRATIVE MATTERS:

7. **LISTING AGREEMENT FOR 27500 LA PAZ ROAD**

It is recommended that the Board of Directors authorize the General Manager or

Assistant General Manager to execute the Listing Agreement with Colliers International Greater Los Angeles (“Colliers”).

Matt Collings provided information on the item. Discussion ensued regarding the agreement. Director Fiore proposed non-substantive changes to the agreement regarding the description of indemnities and individuals to receive notice under the agreement.

A MOTION WAS MADE BY DUANE CAVE AND SECONDED BY RICHARD FIORE, TO APPROVE ITEM 7 REGARDING THE LISTING AGREEMENT WITH THE PROPOSED NON-SUBSTANTIVE CHANGES. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, RICHARD FIORE, DONALD FROELICH, KELLY JENNINGS, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING ‘AYE’.

INFORMATION ITEMS:

8. PFAS UPDATE FROM ORANGE COUNTY WATER DISTRICT

Patrick Verluis from Orange County Water District provided an update on PFAS.

9. MONTHLY FINANCIAL REPORT

Trevor Agrelius presented the Monthly Financial Report.

10. CALSCAPE NURSERY PROGRAM UPDATE

Lindsey Stuvick provided an update on the Calscape Nursery Program.

GENERAL MANAGER MATTERS:(Brief general updates on District matters and/or brief general updates from staff - Informational purposes only.)

Joone Lopez stated that SOCWA member agencies are reviewing the JPA agreements. The Delta Stewardship council held a meeting at Orange County Sanitation District on September 26th.

BOARD REPORTS:

Bill Moorhead asked about the CAC and when the next meeting might be. Staff stated an update would be provided at a future meeting.

PRESIDENT'S REPORT:

None.

FUTURE AGENDA ITEMS (Any items added under this section are for discussion at future meetings only.):

None.

LATE ITEMS: (Appropriate Findings to be Made)

None.

CLOSED SESSION:

3. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code section 54957.6

Agency designated representatives: Joone Lopez, General Manager

Employee organization: Moulton Niguel Water District Employee Association (MNWDEA)

The Board entered closed session at 7:30 p.m. and exited at 8:06 p.m. Jeff Ferre stated that there was no reportable action on Item 3.

ADJOURNMENT:

The meeting was adjourned at 8:07 p.m.

Respectfully submitted,

Tim Bonita
Recording Secretary



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** October 10, 2019

FROM: Rod Woods, Director of Engineering
Bryan Hong, Senior Engineer

SUBJECT: Construction Contract Award for Southerly Takeout Rehabilitation

SUMMARY:

Issue: Board action is required for the Notice Inviting Sealed Bids for the Southerly Takeout Rehabilitation, Project No. 2018.022.

Recommendation: It is recommended that the Board of Directors award the construction services contract to Kingmen Construction in the amount of \$494,914; authorize the General Manager or Assistant General Manager to execute the contract; and to approve change orders up to 10% of the contract value.

Fiscal Impact: Project No. 2018.022 is budgeted in Fund 7, Replacement and Rehabilitation with a current project budget of \$700,000. The proposed project budget is \$654,405. The overall Fiscal Year 2019-20 CIP budget for Fund 7 is \$43,624,388.

Reviewed by Committee: Yes, recommended for approval at the Technical Committee Meeting on October 7, 2019.

Reviewed by Legal: Yes

BACKGROUND:

The Southerly Takeout Facility receives water from the Joint Transmission Main (operated by South Coast Water District as part of the Joint Regional Water Supply System) into the District's 450-zone potable water distribution system. The facility is located near the intersection of Aliso Creek Road and Alicia Parkway in the City of Laguna Niguel. The facility was constructed in 1990 and contains a flow control vault and a bypass vault. The existing piping, valves, and appurtenances are due for

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Construction Contract Award for Southerly Takeout Rehabilitation

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replacement. Additionally, the hatches covering the underground vaults are no longer functioning properly.

This project will replace piping, valves, and appurtenances in the existing flow control vault. The existing hatches for both vaults will also be replaced.

Construction documents for the project were prepared by Dudek utilizing the on-call engineering services agreement. A categorical exemption was prepared in accordance with State CEQA Guidelines and a Notice of Exemption was filed with Orange County on November 30, 2018.

DISCUSSION:

A request for bids was issued to seven qualified contractors. The District received six sealed bids for subject contract on September 24, 2019. The table below summarizes the bids received:

Firm	Bid
Kingmen Construction	\$494,914
Schuler Constructors	\$583,500
SS Mechanical Construction Corp.	\$594,580
RC Foster Corp.	\$614,000
Pascal & Ludwig Constructors	\$647,416
Pacific Hydrotech	\$789,000
Engineer's Estimate	\$602,000

Staff has determined that the lowest responsible and responsive bidder was Kingmen Construction. Staff has completed its review of the contract documents and has determined that they are in order. Kingmen Construction has performed quality work for the District in the past and is well-qualified to perform this type of work.

As such, staff is recommending that the Board of Directors award the construction services contract to Kingmen Construction in the amount of \$494,914 with an approved contingency of 10% of the contract value.

SUMMARY OF PROJECT BUDGET:

Project Items	Project Budget*	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Engineering	\$80,000	\$80,000	\$0	\$80,000
Construction Contract	\$590,000	\$494,914	\$49,491	\$544,405
Legal, Permits, District Labor	\$30,000	\$30,000	\$0	\$30,000
Totals	\$700,000	\$604,914	\$49,491	\$654,405

*\$43,249.04 has been expended to date.

 Currently Proposed Amount

Attachments:

Construction Contract Award for Southerly Takeout Rehabilitation

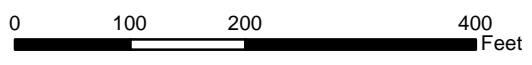
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1. Exhibit A – Location Map
2. Exhibit B – Vendor Contact List



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Scale = 1:2,000

**Exhibit "A" Location Map
 Southerly Takeout Rehabilitation
 Contract No. 2018.022**

Exhibit "B" Vendor Contact List

Company Name	Company Address	Contact Person	Telephone #	E-Mail
Kingmen Construction	4200 Chino Hills Pkwy. Suite 135/221 Chino Hills, CA 91709	Neil Nehmens	(909) 529-1747	nnehmens@kingmenconstruction.com
Pacific Hydrotech Corporation	314 E. 3rd St. Perris, CA 92570	Kirk Harns	(951) 943-8803	kharns@pachydro.com
Pascal & Ludwig Constructors	2049 E. Francis St. Ontario, CA 91761	Alan Ludwig	(909) 947-4631	aludwig@pascalludwig.com
RC Foster Corporation	P.O. Box 77055 Corona, CA 92877	Bob Foster	(951) 738-8211	bob@rcfoster.com
Schuler Constructors	564 W. Bateman Circle Corona, CA 92880	Kevin Panzer	(951) 738-9215	bids@schulerconstructors.com
SS Mechanical Construction Corporation	26561 Jacinto Dr. Mission Viejo, CA 92692	John Whelan	(714) 847-1317	john@ssmechanical.com

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2019 Certificates of Participation New Money Issuance

October 10, 2019

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The District's Board has two primary tools to fund the District's capital investments: rate revenue and the proceeds of debt obligations like certificates of participation. The proceeds of debt obligations provide a tool in conjunction with rate revenue to smooth necessary increases in rates over time. The Board has taken proactive financial management actions, including incremental rate adjustments, refunding outstanding bonds for savings, annually reviewing financial policies and regularly reviewing the District financials to put the District in a very strong financial position, culminating in the highest credit ratings possible from Fitch and S&P. These AAA ratings enable the District to borrow money at the lowest interest rates.

Proceeds from the sale of the 2019 Certificates will be used to finance construction and other project costs related to replacement and upgrade of the District's reservoir management system and pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District's most recently adopted Capital Improvement Program

The District is permitted by existing State law to finance new infrastructure using an installment sale structure that involves certificates of participation (under State law, it may only use bonds to refund existing financing obligations). The District created the Public Facilities Corporation in 1993 to facilitate installment sale financings, which generally entail the following concurrent steps:

- The District and Public Facilities Corporation enter into an Installment Sale Agreement under which the District agrees to purchase financed improvements from the Public Facilities Corporation on an installment basis.
- The Public Facilities Corporation assigns its rights to the District's installment payments to a trustee bank ("Trustee") under an Assignment Agreement.
- The Public Facilities Corporation, District and Trustee enter into a Trust Indenture under which the Trustee agrees to execute and deliver certificates of participation. The certificates of participation represent the rights of investors in the District's installment payments.

Corresponding actions under a separate agenda item for the Public Facilities Corporation Board of Directors are also being considered.

DISCUSSION:

District staff have discussed the proposed financing as part of the Fiscal Year 2019-20 budget process and the annual strategic planning with the Board. Staff recommends that the Board authorize the proposed financing and all associated legal documents consistent with requirements identified in the District's Debt Management Policy. In a separate agenda item, Staff is recommending that the Public Facilities Corporation adopt the resolution to authorize parallel actions to complete the approvals to move forward with the proposed financing. All costs incurred to execute and deliver the 2019 Certificates would only apply if there is a

2019 Certificates of Participation New Money Issuance

October 10, 2019

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sale and would be paid from proceeds of the 2019 Certificates. The 2019 Certificates will be offered via a competitive sale. If the proposed financing is approved by the Public Facilities Corporation and District Board of Directors, the District will advertise the sale at least 5 days before the anticipated sale date, which may be adjusted from the November 6, 2019, date shown below.

Below is the expected timeline of the sale:

Date	Event
October 1, 2019	Rating Presentation to S&P
October 2, 2019	Administration Committee Review
October 9, 2019	Rating Presentation to Fitch
October 10, 2019	Board Consideration
November 6, 2019	Pricing Bonds
November 20, 2019	Closing of 2019 COPs

Good Faith Estimates

On October 9, 2017, the Governor approved Senate Bill 450 (SB 450), adding Section 5852.1 to the California Government Code. SB 450 requires a public agency disclose in a public meeting good faith financing estimates provided by an Underwriter, Municipal Advisor or private lender prior to issuing bonds. These estimates include: 1) the True Interest Cost of the bonds; 2) the total finance charge of the bonds, equal to the sum of all fees and charges paid to third parties; 3) the amount of estimated bond proceeds minus the total finance charge of the bonds, and any reserves funded from proceeds of the bonds; and 4) the total payment amount, which includes the projected sum of all payments the District will make to pay debt service on the bonds plus any portion of the finance charge of the bonds that will not be paid with the proceeds of the bonds. The estimates are included within the resolution as Appendix A and represent good faith estimates only.

Attachments:

1. Resolution entitled, "Approving, Authorizing, and Directing Execution of Certain Installment Sale Financing Documents, Approving Sale of Certificates of Participation, Approving Preliminary Official Statement, and Authorizing and Directing Certain Actions with Respect Thereto"
2. Installment Sale Agreement **(Page 87)**
3. Trust Indenture **(Page 123)**
4. Notice of Sale **(Page 179)**
5. Preliminary Official Statement **(Page 205)**

RESOLUTION NO. 19- ____

**RESOLUTION OF THE BOARD OF DIRECTORS OF
MOULTON NIGUEL WATER DISTRICT
APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF
CERTAIN INSTALLMENT SALE FINANCING DOCUMENTS,
APPROVING SALE OF CERTIFICATES OF PARTICIPATION,
APPROVING A PRELIMINARY OFFICIAL STATEMENT, AND
AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH
RESPECT THERETO**

WHEREAS, Moulton Niguel Water District (the “District”) wishes to finance the costs of acquiring and constructing replacements and upgrades to the District’s reservoir management system and pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District’s most recently adopted Capital Improvement Program, as more particularly described in Exhibit A to the Installment Sale Agreement herein described (the “Project”), together with related costs, using an installment sale financing structure and certificates of participation; and

WHEREAS, the District has determined that it is in the interests of the District at this time to provide for the financing of the costs of the acquisition and construction of the Project, the funding of a reserve for the installment payments to be paid by the District, and the costs of issuance incurred in connection with the proposed financing by purchasing the Project from the Moulton Niguel Water District Public Facilities Corporation (the “Corporation”) pursuant to that certain Installment Sale Agreement, by and between the District and the Corporation (the “Installment Sale Agreement”); and

WHEREAS, for the purpose of obtaining the moneys required to finance the Project, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee, and in consideration of such assignment and the execution of a Trust Indenture, among U.S. Bank National Association (the “Trustee”), the District and the Corporation (the “Trust Indenture”), the Trustee has agreed to execute and deliver Moulton Niguel Water District 2019 Certificates of Participation, each evidencing an undivided fractional interest in the Installment Payments to be made by the District under the Installment Sale Agreement (the “Certificates of Participation”); and

WHEREAS, in connection therewith, it is in the public interest and for the public benefit that the District authorize and direct execution of the Installment Sale Agreement and certain other financing documents in connection therewith; and

WHEREAS, pursuant to the District’s authorization, Jones Hall, A Professional Law Corporation, as disclosure counsel to the District, has prepared and presented to the District a form of preliminary official statement containing information material to the offering and sale of the Certificates of Participation described below (the "Preliminary Official Statement"); and

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WHEREAS, the documents below specified have been filed with the District, and the members of the Board of Directors, with the aid of District Staff, have reviewed said documents; and

WHEREAS, the Installment Payments will be secured by a pledge of, first, the Tax Revenues, and, second, the Net Revenues (as those terms are defined in the Trust Indenture); and

WHEREAS, the pledge of Tax Revenues and Net Revenues to the Installment Payments shall be on a parity basis with the District's pledge of Tax Revenues and Net Revenues as security for:

(i) the District's 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000, and

(ii) the District's 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000; and

WHEREAS, pursuant to Government Code Section 5852.1, which became effective on January 1, 2018, by the enactment of Senate Bill 450, certain information relating to the Certificates of Participation is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public; and

NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

Section 1. Approval of Documents. The below-enumerated documents, in substantially the form on file with the Secretary, are hereby approved, and the General Manager, Assistant General Manager and Director of Finance and Water Resources (in each case, an "Authorized Officer") are hereby separately authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, and the Secretary is hereby authorized and directed to attest to such Authorized Officer's signature:

(a) the Installment Sale Agreement, so long as the stated term of the Installment Sale Agreement does not extend beyond September 1, 2049 (except in the case of default), so long as the principal amount of the Installment Sale Agreement does not exceed \$70,000,000, and so long as the principal component of the installment payments payable by the District under the Installment Sale Agreement shall bear a weighted average interest rate that results in a true interest cost not-to-exceed 4.25%; and

(b) the Trust Indenture, relating to the execution and delivery of the Certificates of Participation, so long as the principal amount of the Certificates of Participation does not exceed \$70,000,000, subject to the limitation set forth below.

Section 2. Competitive Sale of Certificates of Participation. The District hereby authorizes and directs the competitive sale of the Certificates of Participation in accordance with the Notice of Sale in substantially the form on file with the Secretary together with any changes

therein or additions thereto deemed advisable by an Authorized Officer. An Authorized Officer is hereby authorized and directed to accept the best bid for the sale of the Certificates of Participation, as determined in accordance with the Notice of Sale and subject to the limitations contained in paragraph (a) of section 1 hereof.

Pursuant to Section 53692 of the Government Code, Jones Hall, A Professional Law Corporation, as bond counsel, is hereby authorized and directed to cause a notice of the intention to sell the Certificates of Participation, in form and substance acceptable to said firm, in the manner required by applicable law.

Section 3. Official Statement. The Board of Directors hereby approves the preliminary Official Statement in substantially the form on file with the Secretary. Distribution of the preliminary Official Statement by the underwriter(s) is hereby approved, and prior to the distribution of the preliminary Official Statement, an Authorized Officer is authorized and directed, on behalf of the District, to deem the preliminary Official Statement “final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by the Authorized Officer executing the same and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Certificates of Participation, and an Authorized Officer is authorized and directed to execute and deliver the final Official Statement for and on behalf of the District, to deliver to the underwriter(s) a certificate with respect to the information set forth therein and to execute and deliver to the underwriter(s) the Continuing Disclosure Certificate substantially in the form appended to the final Official Statement.

Section 4. Debt Service Reserve Fund Policy. An Authorized Officer is authorized to accept, on behalf of the District, a debt service reserve fund policy (if needed), provided that the purchase of such policy or policies results in net savings to the District. The proceeds of the Certificates of Participation may be used to pay the premium for such a policy.

Section 5. Official Actions. The Authorized Officers, the Secretary and any and all other officers of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions described herein. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

Section 6. Actions Heretofore Taken. All actions heretofore taken by the officers and agents of the District with respect to the transactions described herein are hereby approved, confirmed and ratified.

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Section 7. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

APPROVED, SIGNED and ADOPTED this 10th day of October 2019.

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

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

APPENDIX A

Government Code Section 5852.1 Disclosure

The following information consists of estimates that have been provided by the District's municipal advisor and have been represented by such party to have been provided in good faith:

1. True Interest Cost. Assuming a par amount of \$70,000,000 of Certificates of Participation is sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Certificates of Participation, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Certificates of Participation, is 3.30%.
2. Finance Charge. A good faith estimate of the finance charge of the Certificates of Participation, which means the sum of all fees and charges paid to third parties, is \$500,000.
3. Amount of Proceeds to Be Received. A good faith estimate of the amount of proceeds expected to be received for sale of the Certificates of Participation less the finance charge of the Certificates of Participation described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Certificates of Participation, is \$68,000,000.
4. Total Payment Amount. Assuming a par amount of \$70,000,000 is sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Certificates of Participation plus the finance charge of the Certificates of Participation described in paragraph 2 above not paid with the proceeds of the Certificates of Participation, calculated to the final maturity of the Certificates of Participation, is \$107,500,000.

The foregoing estimates constitute good faith estimates only. The principal amount of the Certificates of Participation, the true interest cost of the Certificates of Participation, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the Certificates of Participation being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Certificates of Participation sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the Certificates of Participation being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Certificates of Participation being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the District's financing plan, or a combination of such factors. The actual date of sale of the Certificates of Participation and the actual principal amount of Certificates of Participation sold will be determined by the District based on the timing of the need for proceeds of the Certificates of Participation and other factors. The actual interest rates borne by the

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Certificates of Participation will depend on market interest rates at the time of sale thereof. The actual amortization of the Certificates of Participation will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

INSTALLMENT SALE AGREEMENT

By and Between

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION,
as Seller**

and

MOULTON NIGUEL WATER DISTRICT, as Purchaser

Dated as of _____ 1, 2019

**Relating to
\$ _____
2019 Certificates of Participation**

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EXHIBIT C – Form of Supplement to Installment Sale Agreement C-1

INSTALLMENT SALE AGREEMENT

This Installment Sale Agreement (this "Agreement") is dated as of _____ 1, 2019, by and between MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION ("Corporation"), a California nonprofit public benefit corporation, and the MOULTON NIGUEL WATER DISTRICT ("District"), duly organized and existing as a California water district pursuant to Section 34000 et seq. of the California Water Code.

RECITALS

A. District and the Corporation desire to acquire and construct the Project (as hereinafter defined) by selling the Project to the District on an installment sale basis by entering into this Agreement, and authorizing the execution and delivery of the District's "2019 Certificates of Participation" (the "Certificates"), evidencing an undivided and proportionate interest in Installment Payments (as defined herein) to be made by the District hereunder.

B. The Certificates will be executed and delivered under and pursuant to the Trust Indenture dated as of _____ 1, 2019 (the "Trust Indenture"), among the District, U.S. Bank National Association (the "Trustee") and the Corporation.

C. The Installment Payments will be secured by a pledge of the Net Revenues (as those terms are defined in the Trust Indenture); and

D. The pledge of Net Revenues to the Installment Payments will be on a parity basis with the District's pledge of Net Revenues as security for:

(i) the District's 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000; and

(ii) the District's 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000.

E. The District and Corporation are authorized under the Constitution and laws of the State of California to enter into this Agreement for the purposes set forth herein.

NOW, THEREFORE, for and in consideration of the promises and covenants hereinafter contained, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Except as the context requires otherwise or as otherwise provided below in this Section, capitalized terms used in this Agreement shall have the meanings given to them in the Trust Indenture as hereinafter defined.

“Additional Obligations” means all bonds, certificates of participation, notes or other obligations hereafter issued or entered into by District, payable out of the Net Revenues and which, as provided in this Agreement, the Trust Indenture, a Parity Obligation Instrument, or any subsequent indenture or similar instrument or document of District, rank on a parity with the Parity Obligations.

“Agreement” or **“Installment Sale Agreement”** means this Installment Sale Agreement and any and all amendments, supplements and replacements hereto.

“Annual Debt Service” means Debt Service due in any Certificate Year.

“Annual Parity Debt Service” means Parity Debt Service due in the applicable Certificate Year.

“Assignment Agreement” means the assignment agreement between Corporation and the Trustee dated as of _____ 1, 2019, pursuant to which substantially all the rights of Corporation under this Agreement are assigned to the Trustee, together with any and all amendments, supplements and replacements.

“Authorized Investments” is defined in Section 101 of the Trust Indenture.

“Average Annual Debt Service” means the amount calculated by totaling all Installment Payments remaining unpaid at the time of calculation, and dividing that total by the number of Certificate Years remaining to final maturity of the Certificates.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Certificates” means the District's \$_____ 2019 Certificates of Participation that are executed and delivered under the Trust Indenture.

“Charges” means all rates, fees (including capital facility connection and capacity fees, to the extent permitted by and in accordance with law), charges, standby charges (other than those standby charges levied pursuant to California Water Code Sections 36425 and 35506 and pledged to debt service on the District's outstanding general obligation bonds and any additional general obligation bonds to be issued in the future), assessments and other moneys derived by the District from the sale, furnishing and supplying of water, recycled water and wastewater or other services furnished or supplied through the facilities of, or in the conduct or operation of, the water, recycled water and wastewater systems of the District

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“Debt Service” means, for any period, the sum obtained by totaling the following amounts due in such period:

- (a) Installment Payments; and
- (b) Parity Debt Service.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to District or Corporation relating to the financing of the Project, including but not limited to settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, including Trustee's first annual administration fee, legal fees and charges, financial and other professional consultant fees, and the fees of rating agencies for assigning a rating to the Certificates.

“Events of Default” are defined in Section 12.01 hereof.

“Governmental Loan Instruments” means any resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement, loan agreement or other instrument under which any future Governmental Loans are issued or incurred.

“Governmental Loan Payments” means, for any period, the sum of all of the payments due under Governmental Loans in such period.

“Governmental Loans” means all loans hereafter issued or entered into by the District in accordance with Section 7.05 hereof, payable out of the Governmental Loans Pledged Revenues, that, as provided in this Agreement, a Governmental Loan Instrument, or any subsequent loan agreement, indenture or similar instrument or document of District, rank on a parity with the Parity Obligations with respect to Net Revenues consisting of Governmental Loan Pledged Revenues.

“Governmental Loans Pledged Revenues” means those Revenues consisting of revenues received by the District from sales of recycled water, rebate payments received by the District from Metropolitan Water District pursuant to Metropolitan Water District Local Projects Program and revenues received by the District from wastewater service charges.

“Independent Consultant” means a consultant or firm of such consultants appointed by the District and who, or each of whom is judged by the District to have experience in matters relating to the collection of Revenues or other experience with respect to the financing of the Project, as appropriate and who, or each of whom:

- (1) is independent of the District;
- (2) does not have any substantial interest, direct or indirect in the District; and
- (3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

“Installment Payment Date” means the date on which any Installment Payment is due and payable under this Agreement (March 1 and September 1), commencing March 1, 2020.

“Installment Payments” means the installment payments payable by District pursuant to the provisions of this Agreement in consideration of the installment purchase of the Project.

Installment Payments shall be payable by District to the Corporation in the amounts and at the times during the Installment Sale Term as set forth in Section 5.01 of this Agreement.

“Installment Period” means each six-month period ending on the last day of February or August.

“Installment Sale Term” means that term commencing on the Delivery Date and ending on September 1, 20___, or on such later date any Certificates remain Outstanding, or on such earlier date this Agreement is terminated in accordance with Section 4.02 herein.

“Maintenance and Operation Expenses” means the reasonable and necessary costs spent or incurred by District for maintaining and operating water, recycled water and wastewater systems, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such systems in good repair and working order, and including but not limited to administrative costs of District, salaries and wages of employees, payments to any employee retirement plan, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers, and necessary costs of or charges required to be paid by it to comply with the terms of the Certificates or of this Agreement, including any amounts required to be paid to the United States of America pursuant to the Trust Indenture; but excluding in all cases (i) depreciation, replacements and obsolescence charges or reserves therefor; (ii) amortization of intangibles or other bookkeeping entries of a similar nature; (iii) costs of capital additions, replacements, betterments, extensions or improvements to the District water, recycled water and wastewater systems, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation; and (iv) charges or assessments for the payment of principal, premium, if any, and interest on any general obligation bonds heretofore or hereafter issued for the water, recycled water and/or wastewater system purposes.

“Maximum Annual Debt Service” means as of the date of calculation, the maximum amount of Installment Payments, Governmental Loan Payments, and Parity Debt Service due in any Certificate Year prior to the final maturity of the Certificates, and for purposes of: (i) Section 7.04, includes the maximum amount of Debt Service due on any Additional Obligations subsequent to the issuance of such Additional Obligations; and (ii) Section 7.05, includes the maximum amount of Governmental Loan Payments due on any Governmental Loans subsequent to the issuance of such Governmental Loans.

“Maximum Annual Installment Payments” means as of the date of calculation, the maximum amount of Installment Payments due in any Certificate Year prior to the final maturity of the Certificates.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Project, after deducting all expenses (including attorneys’ fees) incurred in the collection of such claim or award.

“Net Revenues” means Revenues less Maintenance and Operation Expenses.

“Non-Operating Revenues” means (A) rents, insurance and condemnation proceeds; (B) amounts appropriated from the Rate Stabilization Fund; (C) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of any part of, or rights, in the District’s water, recycled water and wastewater systems; (D) the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned,

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allocated and paid by the Orange County Tax Collector to District pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, as amended from time to time); and (E) other moneys (other than Operating Revenues) received by the District in connection with the water, recycled water and wastewater systems.

“Operating Revenues” means revenues received by the District from the levy and collection of Charges.

“Outstanding Certificates” or **“Outstanding”** means all Certificates which have been executed and delivered by the Trustee under the Trust Indenture, except the following:

- (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the terms of the Trust Indenture; and
- (iii) Certificates paid and discharged pursuant to the Trust Indenture.

“Parity Debt Service” means, for any Fiscal Year, the sum of:

- (i) the interest due and payable during such Fiscal Year for all outstanding Parity Obligations, assuming that principal (including any mandatory sinking payments) thereof is paid as scheduled;
- (ii) that portion of the principal amount due on all outstanding Parity Obligations maturing during such Fiscal Year;
- (iii) that portion of the principal amount of all such outstanding Parity Obligations required to be redeemed or paid (together with the redemption or prepayment premiums, if any, thereof) during such Fiscal Year; and
- (iv) any fees payable during such Fiscal Year under the Parity Obligation Instruments.

“Parity Obligation Instruments” means this Agreement, the 2019 Indenture, the 2015 Indenture, and any other resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement or other instrument under which any Additional Obligation is issued or incurred under Section 7.04(b).

“Parity Obligations” means: (i) the Installment Payments; (ii) the 2019 Bonds; (iii) the 2015 Bonds; and (iv) the Additional Obligations issued under Section 7.04(b).

“Parity Reserves” means the reserve funds funded, or any credit instrument in lieu thereof as permitted by a Parity Obligation Instrument, for the Parity Obligations.

“Project” means the water and recycled water facilities and improvements described in Exhibit A and any substitutions or additions thereto made pursuant to Section 8.04 of this Agreement.

“Rate Stabilization Fund” means that certain fund established and maintained within District’s treasury in accordance with District Resolution No. 91-47, adopted July 18, 1991, as amended by District Resolution No. 93-33, adopted October 21, 1993, as amended by District Resolution No. 06-03, adopted May 18, 2006.

“Rate Stabilization Fund Minimum Balance” has the meaning given to said term in Section 5.02.

“Revenues” means (i) Operating Revenues, (ii) Non-Operating Revenues, and (iii) the earnings on, and income derived from, the investment of Operating Revenues and Non-Operating Revenues.

“Surplus Revenues” are those monies available after payment of Maintenance and Operation Expenses, Installment Payments, payments with respect to Parity Obligations, Trustee Amounts (and similar amounts payable to trustees under Parity Obligation Instruments) and any amounts required for replenishment of any Parity Reserves.

“Trust Indenture” means the Trust Indenture dated as of _____ 1, 2019, by and among District, Corporation and U.S. Bank National Association, as Trustee, and any and all amendments, supplements and replacements thereto.

“Trustee Amounts” is defined in Section 5.04 hereof.

“2015 Bonds” means the District’s 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000, issued pursuant to the 2015 Indenture.

“2015 Indenture” the Indenture of Trust, dated as of June 1, 2015, by and between the District and U.S. Bank National Association, as trustee, relating to the 2015 Bonds.

“2019 Bonds” means the District’s 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000, issued pursuant to the 2019 Indenture.

“2019 Indenture” means the Indenture of Trust, dated as of March 1, 2019, by and between the District and U.S. Bank National Association, as trustee, relating to the 2019 Revenue Refunding Bonds.

“Unrestricted Fund Balances” means those funds within the District treasury, or held on behalf of District, not set aside, pledged or otherwise restricted to a specific defined purpose and which, pursuant to general accounting principles, and in accordance with applicable law, may be used by District to pay Maintenance and Operation Expenses and to satisfy its obligations arising under this Agreement and any Parity Obligation Instrument.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations; Covenants and Warranties of District. District represents, covenants and warrants for the benefit of Corporation and its assignees as follows:

(1) District is a California water district formed and existing pursuant to Division 13 of the California Water Code of the State of California.

(2) District is authorized under the Constitution and laws of the State of California to enter into this Agreement and the Trust Indenture and the transactions contemplated hereby and thereby and to perform all of its obligations hereunder and thereunder.

(3) District has been duly authorized to execute and deliver this Agreement and the Trust Indenture and further represents, covenants and warrants that all requirements have been met and proceedings have been taken in order to ensure the enforceability of this Agreement (except as such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and by the application of equitable principles if equitable remedies are sought).

(4) Neither the execution and delivery of this Agreement or the Trust Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of District, or the Project.

(5) During the term of this Agreement, the Project will be used by District only for the purpose of performing one or more governmental or proprietary functions of District consistent with the permissible scope of District's authority.

Section 2.02. Representations, Covenants and Warranties of Corporation. Corporation represents, covenants and warrants for the benefit of District as follows:

(1) Corporation is a non-profit public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State of California; has power to enter into this Agreement, the Assignment Agreement and the Trust Indenture; is possessed of full power to own and hold real and personal property, and to sell the same; and has been duly authorized to execute and deliver all of the aforesaid agreements.

(2) Corporation will not pledge the Installment Payments or other amounts derived from the Project or from its other rights under this Agreement, except as provided under the terms of this Agreement, the Trust Indenture and the Assignment Agreement.

(3) Neither the execution and delivery of this Agreement, the Assignment Agreement or the Trust Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or

instrument to which Corporation is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Corporation, or the Project.

(4) Except as provided herein and in the Trust Indenture and the Assignment Agreement, Corporation will not assign this Agreement, its right to receive Installment Payments from District, or its duties and obligations hereunder to any other person, firm or corporation.

(5) Corporation shall not engage in any activities not contemplated by, or necessary or proper to carry out the transactions contemplated by, the Trust Indenture, this Installment Sale Agreement or the Assignment Agreement.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.01. Deposit of Certificate Proceeds. On the Delivery Date, Corporation agrees to deposit moneys with the Trustee to be expended for financing the acquisition of the Project as provided in Article V of the Trust Indenture.

Section 3.02. Acquisition of the Project. The Corporation hereby appoints the District as its agent to administer the acquisition, construction, equipping and improvement of the Project. The District accepts such appointment, and covenants to acquire and construct the Project with due diligence.

Section 3.03. Payment of the Delivery Costs. Payment of the Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund as described in Section 3.01 hereof and as provided in Section 501 of the Trust Indenture, and those moneys shall be disbursed from the Delivery Costs Fund in accordance with Section 504 of the Trust Indenture.

Section 3.04. Installment Sale of Project. District hereby purchases from Corporation, and Corporation sells on an installment sale basis to District, the Project, in accordance with the provisions of this Agreement. All right, title and interest sold to District by Corporation in the Project under this Section shall immediately vest in District as of the date hereof, without further action on the part of Corporation or District.

ARTICLE IV

INSTALLMENT SALE TERM

Section 4.01. Installment Sale Term. The Installment Sale Term shall commence on the Delivery Date, and shall end on September 1, 20__, unless on such date any Certificates remain Outstanding, in which case this Agreement shall remain in full force and effect while any Certificates are Outstanding, or unless terminated prior thereto in accordance with Section 4.02 of this Agreement.

Section 4.02. Termination of Installment Sale Term. The Installment Sale Term will terminate upon the earliest of either of the following events:

- (1) the discharge of the Installment Sale Agreement in accordance with Article VI hereof; or
- (2) the payment by District of all Installment Payments required to be paid by District hereunder.

ARTICLE V

INSTALLMENT PAYMENTS AND OTHER PAYMENTS

Section 5.01. Installment Payments. District agrees to pay to Corporation and its successors and assigns the Installment Payments consisting of principal and interest, at the times and in the amounts specified in this Section, in arrears for the preceding Installment Period, from Net Revenues.

Notwithstanding anything to the contrary contained herein, District covenants that it will make the Installment Payments at such times and in such amounts as will ensure timely payment of principal and interest with respect to the Certificates when due.

Each Installment Payment shall consist of:

(1) a principal component equal to the principal amount evidenced by all Certificates maturing or to be prepaid on the respective Installment Payment Date pursuant to Section 203 of the Trust Indenture; and

(2) an interest component equal to the amount calculated pursuant to Section 203 of the Trust Indenture for the applicable period.

A schedule of the Installment Payments is set forth as Exhibit B to this Agreement.

Each Installment Payment shall be paid in lawful money of the United States of America to or upon the order of Corporation or its assignee at the corporate trust office of the Trustee in Los Angeles, California.

In order to provide for the payment of Installment Payments when due, District shall, at least five Business Days prior to each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund, an amount equal to the amount indicated in Exhibit B for the next succeeding Installment Payment Date, less any funds then on hand in the Installment Payment Fund.

Interest on any Installment Payment which is overdue, to the extent lawful, will be payable by District at fixed rates equal to the interest rates with respect to the Certificates calculated on the basis of a year of 360 days comprised of twelve 30-day months.

Section 5.02. Maintenance and Application of Rate Stabilization Fund.

(a) Maintenance of Rate Stabilization Fund. District hereby covenants that it shall maintain the Rate Stabilization Fund separate and apart from other funds in its treasury for the Installment Sale Term or for so long as any Installment Payments remain unpaid. From time to time District may deposit amounts in the Rate Stabilization Fund, in such amounts as District may determine, from Unrestricted Fund Balances and/or Surplus Revenues.

(b) Permitted Uses of Rate Stabilization Fund Moneys. District may use amounts on deposit in the Rate Stabilization Fund to pay Maintenance and Operation Expenses. Moneys on deposit in the Rate Stabilization Fund shall not be used to pay Debt Service or amounts necessary to replenish any Parity Reserves.

(c) Maintenance of Rate Stabilization Fund at Minimum Balance. Except as provided in paragraph (d) below, District further covenants to maintain the Rate Stabilization Fund in an amount of not less than fifty percent (50%) of Maximum Annual Debt Service (the “Rate Stabilization Fund Minimum Balance” or “Minimum Balance”).

(d) Circumstances When Fund Balance May Fall Below the Minimum Balance. The District may allow the balance on hand in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance if District collects Net Revenues in an amount equal to one hundred twenty-five percent (125 %) of Annual Debt Service for each of two consecutive Fiscal Years.

(e) Restoration of Rate Stabilization Fund to Minimum Balance. If the District:

(1) has been permitted to allow funds in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance, as provided in paragraph (d) above; and

(2) District does not in any Fiscal Year thereafter collect Charges at least equal to 125% of Debt Service due in that year; then

(3) the covenant set forth in paragraph (c) above to maintain the Rate Stabilization Fund Minimum Balance shall again become effective on the first day of the next succeeding Fiscal Year (the “Restoration Date”). District covenants that during the Fiscal Year beginning on any Restoration Date, it shall budget for and appropriate amounts sufficient to, and shall cause the balance in the Rate Stabilization Fund to be restored to an amount equal to the Rate Stabilization Fund Minimum Balance. If the Rate Stabilization Fund Minimum Balance is so restored during such Fiscal Year, District shall not be deemed to be in default with respect to the covenant set forth in paragraph 7.02(a) for such preceding Fiscal Year.

Section 5.03. Reserved.

Section 5.04. Trustee Amounts. In addition to the Installment Payments, District shall pay all Trustee Amounts. The Trustee Amounts are the fees and expenses of the Trustee incurred in connection with the performance of its duties under the Trust Indenture.

Section 5.05. Unconditional Obligations; Net Contract. The obligations of District to pay the Installment Payments and all Trustee Amounts required under this Article V and other sections hereof and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever while any Certificates remain Outstanding or any Trustee Amounts remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of District or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation

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arising out of or connected with this Installment Sale Agreement or the Trust Indenture. This Installment Sale Agreement shall be deemed and construed to be a “net contract,” and District shall pay absolutely net the Installment Payments and Trustee Amounts and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that District might otherwise have against Corporation or the Trustee or any other party or parties.

ARTICLE VI

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 6.01. Optional Prepayment.

(a) Installment Payments with Installment Payment Dates on or prior to September 1, 20___, shall not be subject to optional prepayment prior to their respective Installment Payment Dates. Installment Payments with Installment Payment Dates on or after September 1, 20___, shall be subject to prepayment prior to their respective Installment Payment Dates, at the option of, and in the amounts directed by, the District, from any source of available funds, in whole or in part (in an amount equal to \$5,000 or an integral multiple thereof) on any date on or after September 1, 20___, at the principal amount thereof and accrued interest thereon to the date fixed for prepayment, without premium.

(b) The District may prepay, from any source of available funds, all or any portion of the Installment Payments by depositing with the Trustee moneys or securities, as provided and subject to the terms and conditions set forth in Article IV of the Trust Indenture sufficient to pay such Installment Payments, and the interest thereon, when due or to pay such Installment Payments, and the interest thereon, through a specified date on which the District has a right to prepay such Installment Payments pursuant to subsection (a) of this Section, and to prepay such Installment Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) of this Section.

(c) If less than all of the Installment Payments are prepaid pursuant to this Section then, as of the date of such prepayment pursuant to subsection (a) of this Section, or the date of a deposit pursuant to subsection (b) of this Section, the schedule of Installment Payments shall be recalculated in order to take such prepayment into account.

(d) Prepayments of Installment Payments made pursuant to this Section shall be applied to the prepayment of Certificates as provided in Section 402 of the Trust Indenture.

Section 6.02. Notice of Prepayment. Before making prepayment pursuant to this Article, the District shall give written notice to the Trustee specifying the date on which the prepayment will be made, which date shall be not less than 45 nor more than 60 days from the date such notice is given to the Trustee, unless the Trustee, in its sole discretion, otherwise waives this notice requirement.

Section 6.03. Discharge of Obligations. If all Installment Payments, and the interest thereon, shall be paid as and when due in accordance with the terms hereof, or prepaid in accordance with Section 6.01 hereof, and if all Certificates shall be fully paid, or provision therefor made in accordance with Article VII of the Trust Indenture, and the Trust Indenture shall be discharged by its terms, then all agreements, covenants and other obligations of the District hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE VII

PLEDGE OF REVENUES; ADDITIONAL OBLIGATIONS

Section 7.01. Pledge of Net Revenues.

(a) Pledge of Net Revenues. District hereby covenants and agrees that the payment of the Installment Payments and Parity Debt Service shall be secured by a first pledge, charge and lien upon the Net Revenues. Net Revenues sufficient to pay the Installment Payments and Parity Debt Service as they become due and payable are hereby pledged, charged, assigned, transferred and set over by District for the purpose of securing payment of the Installment Payments and Parity Debt Service. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments and Parity Debt Service. Governmental Loans are secured by a pledge of Governmental Loans Pledged Revenues, which includes that portion of Net Revenues described in the definition of Governmental Loans Pledged Revenues, on a parity with this Installment Sale Agreement and Parity Debt with respect to that portion of Net Revenues described in the definition of Governmental Loans Pledged Revenues.

(b) Limited Obligation of District. The District shall have no obligation to use any funds other than the Net Revenues, directly or indirectly, to pay principal of or interest on the Installment Payments or Parity Debt Service; nor are any funds other than the Net Revenues so pledged as security for the payment of the Installment Payments or Parity Debt Service.

Section 7.02. Rate Covenant.

(a) District covenants that in each Fiscal Year, to the maximum extent permitted by law, it shall annually fix and collect Charges for water, recycled water and wastewater services which, after allowance for contingencies and error in estimates, shall be at least sufficient to provide Net Revenues that shall equal at least the Rate Covenant Percentage of the sum of:

- (i) Debt Service and Governmental Loan Payments due in the Fiscal Year during which such Net Revenues will be collected; and
- (ii) any required deposits to any Parity Reserves.

(b) As used herein, the term "Rate Covenant Percentage" means:

- (i) 100%, so long as the amounts on hand in the Rate Stabilization Fund are at least equal to the Rate Stabilization Fund Minimum Balance; and
- (ii) 125%, if funds on hand in the Rate Stabilization Fund do not equal or exceed the Rate Stabilization Fund Minimum Balance.

Section 7.03. No Obligation to Levy Taxes. The obligation of District to pay Installment Payments and Parity Debt Service does not constitute an obligation of District for which District is obligated to levy any form of taxation.

Section 7.04. Limitations on Additional Obligations.

(a) No Superior Obligations. In order to further protect the availability of Net Revenues and the security for the Installment Payments and Parity Obligations, District hereby agrees that District shall not, so long as any Certificates or Parity Obligations are outstanding, issue or incur any obligations payable from the Net Revenues that are superior to the Installment Payments or Parity Obligations.

(b) Issuance of Parity Obligations. District further covenants that, except for obligations issued or incurred to prepay the Installment Payments pursuant to Section 6.01 hereof, or to otherwise prepay or refund Parity Obligations that are presently outstanding, District shall not issue or incur any Additional Obligations unless, except as set forth in Section 7.07 below:

- (i) District is not in default under the terms of this Agreement or outstanding Parity Obligation Instruments; and
- (ii) Either (A) the Net Revenues, as shown by the books and records of District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Additional Obligations, as set forth in a certificate of an Independent Consultant, or (B) the estimated Net Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Additional Obligations shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth hereinafter in this covenant designated under subsection (c) below, shall have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter.

(c) Adjustments to Net Revenues. For purposes of the calculations required in (b)(ii) above, Net Revenues may be adjusted to include:

- (i) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made; and
- (ii) to the extent not included in (c)(i), an amount equal to 75% of the anticipated Net Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Additional Obligations for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made.

(d) Credit For Certain Funds. For purposes of the calculations required in (b)(ii) above, Maximum Annual Debt Service shall exclude: (i) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt

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Instruments for Parity Obligations; and (ii) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans.

Section 7.05. Limitations on Future Governmental Loans.

(a) Future Governmental Loans. District covenants that, except for obligations issued or incurred to prepay or refund Governmental Loans which are presently outstanding, District shall not issue or incur any Governmental Loans unless:

- (i) District is not in default under the terms of this Agreement or outstanding Governmental Loan Instruments; and
- (ii) Either (A) the Governmental Loans Pledged Revenues, as shown by the books and records of the District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Governmental Loan, as set forth in a certificate of an Independent Consultant, or (B) the estimated Governmental Loans Pledged Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Governmental Loan shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth hereinafter in this covenant designated under subsection (b) below, shall have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter.

(b) Adjustments to Governmental Loan Pledged Revenues. For purposes of the calculations required in (a)(ii) above, Governmental Loan Pledged Revenues may be adjusted to include:

- (i) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made; and
- (ii) to the extent not included in (b)(i), an amount equal to 75% of the anticipated Governmental Loan Pledged Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Governmental Loan for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made.

(d) Credit For Certain Funds. For purposes of the calculations required in (a)(ii) above, Maximum Annual Debt Service shall exclude: (i) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans; and (ii) amounts

on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for Parity Obligations.

Section 7.06. Pledge and First Lien. The pledge of the Net Revenues constitutes a valid pledge of and a first lien on all of the Net Revenues.

ARTICLE VIII

COVENANTS REGARDING PROJECT

Section 8.01. Use of the Project. District will not use or maintain the Project improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. District has or shall procure any permits necessary for use of the Project. In addition, District agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of any portion of the Project) with all laws of the jurisdictions in which its operations involving any portion of the Project may extend and all laws of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Project. However, District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Corporation, adversely affect the interest of Corporation in and to any portion of the Project or its interest or rights under this Agreement. Any such contest shall not affect District's duty to make payment in full of all Installment Payments.

Section 8.02. Maintenance of Project by District. District agrees that, at all times during the Installment Sale Term, District will, at District's own cost and expense, operate, maintain, preserve and keep its property and its water, recycled water and wastewater systems and every part and parcel thereof in good repair, working order and condition and that District will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. Corporation shall have no responsibility in any of these matters.

Section 8.03. Alterations. District may at any time or times during the Installment Sale Term, at its own cost and expense, rebuild or make any alterations, rebuilding, replacements or changes, additions and improvements in and to, the Project, including the installation, removal or disposal of any equipment, whether or not such equipment shall be a part of the Project; provided,

- (1) such alteration or change shall not cause the Project to be used for purposes other than the purposes authorized in Section 2.01 (5) hereof; and
- (2) that before the commencement of any such work, all necessary plans and specifications shall be filed with and approved by all governmental authorities having jurisdiction thereof and all such work shall be done subject to and in accordance with the requirements of such authorities.

Section 8.04. Substitution of or Addition to Project. District shall have the right to substitute or add capital facilities and/or real property interests to the Project identified in Exhibit A, upon the following terms and conditions:

- (1) All costs and expenses incurred in connection with such substitution, or addition, of such capital facilities and/or real property interests shall be borne by District.
- (2) Notwithstanding any such substitution or addition, there shall be no reduction in the Installment Payments due from District pursuant to the Installment Sale Agreement.
- (3) Any capital facility so substituted or added shall have a useful life equal to, or greater than, the then remaining period of the Installment Sale Term.

(4) District and Corporation shall provide the Trustee with a written certificate in the form substantially as attached as Exhibit C hereto.

Section 8.05. Disposition of Project. The District shall not dispose of any portion of the Project while the Installment Payments are unpaid, except for property that is not operating or is worn out and except for the dedication of public streets and public and private utility easements.

Section 8.06. Taxes, Other Governmental Charges and Utility Charges. The parties to this Agreement contemplate that the Project will be used for a governmental or proprietary purpose of District and, therefore, that the Project will be exempt from all taxes presently assessed and levied with respect to real property. For purposes of real property taxation, District shall be deemed to have the sole title to and taxable interest in the Project during the term hereof.

In the event that the use, possession or acquisition of the Project is found to be subject to taxation in any form (except for income or franchise taxes of Corporation), District will pay during the Installment Sale Term, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project and any other property acquired by District as a renewal or replacement of, or a modification, improvement or addition to the Project as well as all charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, District shall be obligated to pay only such installments as are accrued during such time as this Agreement is in effect.

District or any lessee of the Project may, at District's or such lessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, unless Corporation shall notify District or such lessee that an Opinion of Counsel procured at District's or such lessee's expense has concluded that by nonpayment of any such items, the interest of Corporation in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event District or such lessee shall promptly pay or cause to be paid such taxes, assessments or charges or provide Corporation with full security against any loss which may result from nonpayment, in a form satisfactory to Corporation.

ARTICLE IX

INSURANCE; CONDEMNATION

Section 9.01. Insurance. District shall maintain or cause to be maintained continually throughout the Installment Sale Term insurance, which may be self-insurance, against risks of damage, hazards, casualties and contingencies of such types, with such terms, and in such amounts as shall then be customarily carried by prudent owners or lessees of buildings, facilities, fixtures or improvements in the locality and of a character, condition, construction, use and occupancy similar to the Project.

With respect to contracts for the rehabilitation or reconstruction of the Project, District shall maintain or cause its contractors to maintain such types and amounts of insurance for liability, builder's risk, and workers' compensation and surety bonds as are customary for public works projects comparable to the Project, for the applicable contract and customary guarantee periods.

Section 9.02. Premiums. District shall pay or cause to be paid when due the premiums for all insurance policies required by this Agreement.

Section 9.03. Inability to Obtain Insurance. Notwithstanding Section 9.01, if at any time District shall be unable to obtain or maintain insurance to the extent required by such Section on reasonable terms, as to amounts, costs or as to risks, the failure to maintain such insurance shall not constitute a default under this Agreement if District shall cause the employment of an independent insurance consultant having a favorable reputation for skill and experience in such matters, for the purpose of reviewing such insurance requirements and making recommendations respecting the types, amounts and provisions of reasonably obtainable insurance, including self-insurance, or the establishment of other generally accepted forms of alternative protection that should be carried in lieu thereof, or the infeasibility of obtaining insurance, and if District shall comply with the recommendations made in such report.

Section 9.04. Application of Net Proceeds. If any portion of the Project is damaged or destroyed by casualty or taken in a condemnation proceeding, District shall apply any resulting Net Proceeds to the repair, replacement or restoration of the Project. For purposes of the foregoing, the construction or acquisition of additional or substitute facilities under Section 8.04 shall be considered such a replacement.

District shall hold the Net Proceeds in a special account for application to such costs. The Net Proceeds held in such account may be invested in Authorized Investments, and any resulting earnings shall be retained in such special account and applied to such costs.

Section 9.05. Cooperation of Corporation. At the expense of District, Corporation shall cooperate fully with District, or any lessee or transferee, in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 9.01 hereof and in the defense of any prospective or pending eminent domain proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit District and any lessee or transferee of the Project to litigate in any proceeding resulting therefrom in the name and on behalf of Corporation. In no event will Corporation voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending eminent domain proceeding with respect to the Project or any part thereof without the written consent of District.

ARTICLE X**DISCLAIMER OF WARRANTIES; ENFORCEMENT OF WARRANTIES****Section 10.01. Disclaimer of Warranties.**

(a) District's Disclaimer. DISTRICT MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITIES, OR WARRANTY WITH RESPECT THERETO. CORPORATION ACKNOWLEDGES THAT DISTRICT IS NOT A DEVELOPER OR BUILDER OF THE FACILITIES OR A DEALER THEREIN, THAT CORPORATION BUYS THE FACILITIES AS -IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY CORPORATION. In no event shall District be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement or the existence, furnishing, functioning or Corporation's use of the Project or any part thereof.

(b) Corporation's Disclaimer. CORPORATION MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITIES, OR WARRANTY WITH RESPECT THERETO. DISTRICT ACKNOWLEDGES THAT CORPORATION IS NOT A DEVELOPER OR BUILDER OF THE FACILITIES OR A DEALER THEREIN, THAT DISTRICT BUYS THE FACILITIES AS IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY DISTRICT. In no event shall Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement or the existence, furnishing, functioning or District's use of the Project or any part thereof.

Section 10.02. Enforcement of Warranties. Corporation hereby irrevocably appoints District its agent and attorney-in-fact during the Installment Sale Term, so long as District shall not be in default hereunder, to assert from time to time whatever claims and rights including warranties which Corporation may have with respect to the Project. District's sole remedy for the breach of such warranty, indemnification or representation shall be against said builder, supplier or manufacturer of the Project, and not against Corporation, nor shall such matter have any effect whatsoever on the rights and obligations of Corporation with respect to this Agreement, including the right to receive full and timely payments hereunder. District expressly acknowledges that Corporation makes, and has made, no representations or warranties whatsoever as to the existence or availability of such warranties on the real property, improvements or any other part of the Project.

ARTICLE XI

ASSIGNMENT AND INDEMNIFICATION

Section 11.01. Assignment by Corporation. District's rights under this Agreement to receive and enforce payment of the Installment Payments to be made by District under this Agreement shall be assigned to the Trustee pursuant to the Assignment Agreement. Corporation hereby authorizes and directs District to make all payments required or permitted under this Agreement to the Trustee. Except as contemplated by this Agreement and the Trust Indenture, Corporation shall not assign any of its interests in this Agreement.

Section 11.02. Assignment by District. This Agreement and the obligations of District hereunder shall not be assigned by District for any reason.

Section 11.03. Release and Indemnification Covenants. District agrees, to the extent permitted by law, to indemnify and hold harmless Corporation or its respective officers, directors, employees or agents and the Trustee from and against any and all losses, claims, damages, liabilities or expenses, including, without limitation, and not limited to, losses, claims, damages, liabilities or expenses arising out of, resulting from or in any way connected with (1) the Project, or the conditions, occupancy, use or possession of such facilities or any part thereof; or (2) the sale of any Certificates and the carrying out of any of the transactions contemplated by the Certificates, the Trust Indenture, this Installment Sale Agreement, the Assignment Agreement, or any documents entered into in connection therewith.

Notwithstanding anything to the contrary in the foregoing, District's indemnification obligations set forth in this Section 11.03, shall not extend to any losses, claims, damages, liabilities or expenses arising from the negligence or intentional acts of Corporation or the Trustee or each of their respective officers, directors, employees or agents.

The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of the Installment Sale Term for any reason.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Events of Default Defined. The following shall be “events of default” under this Agreement and the terms “event of default” and “default” shall mean, whenever they are used in this Agreement, any one or more of the following events:

- (1) A failure by District to pay any Installment Payment to the Trustee by a date no later than the Installment Payment Date; or
- (2) Failure by District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (1) and (2) above, for a period of 45 days after written notice to District and the Trustee by Corporation, specifying such failure and requesting that it be remedied, unless Corporation, with the consent of the Trustee, shall agree in writing to any extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, Corporation will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by District within the applicable period and diligently pursued until the default is corrected; or
- (3) The occurrence of any Event of Default under the Trust Indenture.

If by reason of force majeure District is unable in whole or in part to carry out its agreement on its part herein contained, other than the obligations on the part of District contained in Article V hereof, District shall not be deemed in default during the continuance of such inability. The term “force majeure” as used herein shall mean any cause or event not reasonably within the control of District, including, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the state wherein District is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, wells, reservoirs, treatment facilities, transmission pipes or any other facilities of District or any appurtenances thereto.

Section 12.02. Remedies on Default. Whenever any event of default referred to in Section 12.01 hereof shall have happened and be continuing, any one or any combination of the following remedial steps may be taken:

- (1) Corporation may declare the principal components of all Installment Payments due hereunder to be immediately due and payable, whereupon the same shall become immediately due and payable, in such amount as shall be sufficient to pay all principal and accrued interest due and payable pursuant to Section 802 of the Trust Indenture;
- (2) Corporation may exercise any option and pursue any remedy which may be exercised and pursued by the Trustee under the Trust Indenture.

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(3) Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due or to become due or to enforce any of its rights hereunder.

Section 12.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission 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 thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Corporation to exercise any remedy reserved to it in this Article XII it shall not be necessary to give any notice, other than such notice as may be required in this Article XII.

ARTICLE XIII
MISCELLANEOUS

Section 13.01. Assurances. District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by Corporation or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and confine the security interests herein intended to be created.

Section 13.02. Notices.

(a) Any notice, request, direction, designation, demand, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by the Trust Indenture or the Certificates must be in writing except as expressly provided otherwise in the Trust Indenture or the Installment Sale Agreement.

(b) Any notice or other communication shall be sufficiently given and deemed given when delivered by hand, when transmitted if delivered by electronic, telephonic, bank wire, telecopier, telex or telegram or, in case of notices specifically permitted to be given by mail, when mailed by first-class mail, postage prepaid, addressed as follows:

- Corporation: Moulton Niguel Water District
Public Facilities Corporation
26161 Gordon Road
Laguna Hills, CA 92653
Attention: Treasurer
- District: Moulton Niguel Water District
26161 Gordon Road
Laguna Hills, CA 92653
Attention: General Manager
- Trustee: U.S. Bank National Association
Global Corporate Trust
633 West Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071

or such other address as may be specified in the writing twenty (20) days prior to such new mailing address becoming effective.

Section 13.03. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon District and Corporation and their respective successors and assigns.

Section 13.04. Severability. In the event any provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

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Section 13.05. Amendments. This Agreement may be amended in writing as may be mutually agreed by District and Corporation, in the same manner and with the same restrictions governing amendments to the Trust Indenture, as set forth in Sections 1001 and 1002 of the Trust Indenture.

Section 13.06. Limitation of Rights. Nothing in this Agreement expressed or implied is intended or shall be construed to give to any person other than the District, the Corporation and the Trustee, as assignee of the Corporation, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Corporation and the Trustee, as assignee of the Corporation.

Section 13.07. Waiver of Personal Liability. No official, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, or the interest thereon, or other payments required to be made by the District hereunder, but nothing contained herein shall relieve any official, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 13.08. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.09. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of page left blank]

IN WITNESS WHEREOF, Corporation and District have each caused this Installment Sale Agreement to be executed by their respective duly authorized representatives, all as of _____ 1, 2019.

MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION

By: _____
Treasurer

Attest:

Secretary

MOULTON NIGUEL WATER DISTRICT

By: _____
General Manager

Attest:

Secretary

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EXHIBIT A

DESCRIPTION OF PROJECT

The Project consists of replacements and upgrades to the District's reservoir management system and pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District's most recently adopted Capital Improvement Program and any other public water, recycled water or wastewater facilities that District determines to substitute therefor.

EXHIBIT B
SCHEDULE OF ANNUAL INSTALLMENT PAYMENTS

Payment Date (September 1)	Principal Component	Interest Component	Total Payment
	\$	\$	\$

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Payment Date (September 1)	Principal Component	Interest Component	Total Payment
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EXHIBIT C

FORM OF SUPPLEMENT TO INSTALLMENT SALE AGREEMENT

There is hereby subjected to the terms of that certain Installment Sale Agreement, dated as of _____ 1, 2019, between MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION (“Corporation”) and MOULTON NIGUEL WATER DISTRICT (“District”), and pursuant to Section 8.04 thereof, the following described Project:

Description of Project:

a) Original facilities being supplemented or replaced (if applicable):

Name: _____

[_____] Supplemented [_____] Replaced

b) Supplemental or additional facilities:

Estimated or Paid Purchase Price of Supplemental or Additional Facility:

Useful Life of Supplemental or Additional Facility:

_____ Years

[The appropriate language from the paragraphs below will be used depending on the type of facility]

[If Substitution of Facility:]

The undersigned District and Corporation Representatives, hereby certify that:

- (A) the market value of the above-described Facility at least equals the market value of the Facility for which it was substituted;
- (B) the above-described Facility has a useful life at least equal to the remaining useful life of the Facility for which it was substituted;
- (C) the above-described Facility will be used by the District for authorized purposes; and
- (D) the above-described Facility is not currently owned by Corporation.

[If Addition of Facility:]

The undersigned, District and Corporation Representatives, hereby certify that the above described Facility is being added to the Facility(ies) identified in the Installment Sale Agreement.

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- (A) the added Facility has a useful life equal to, or greater, than the -remaining period of the Installment Sale Term.

The undersigned, District and Corporation Representatives, hereby certify that the Facility being acquired, delivered, installed or constructed will be owned by Corporation free and clear of all liens or claims of others, except for the lien of the Trust Indenture referred to in the Installment Sale Agreement and the rights of District under the Installment Sale Agreement, and the Corporation will not encumber title to the Facility(ies) while the Certificates remain Outstanding.

Dated: _____

MOULTON NIGUEL WATER DISTRICT

By _____
District Representative

MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION

Dated: _____

By _____
Corporation Representative

TRUST INDENTURE

By and among

MOULTON NIGUEL WATER DISTRICT,

MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION

and

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

Dated as of _____ 1, 2019

**\$ _____
Moulton Niguel Water District
2019 Certificates of Participation**

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TRUST INDENTURE

This TRUST INDENTURE is dated and entered into as of _____ 1, 2019, by and among MOULTON NIGUEL WATER DISTRICT (“District”), a California water district duly organized and existing pursuant to Section 34000 et seq. of the California Water Code, MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION (“Corporation”), a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State of California, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee (“Trustee”).

RECITALS

A. District and the Corporation desire to acquire and construct the Project (as hereinafter defined) by selling the Project to the District on an installment sale basis by entering into this Agreement and authorizing the execution and delivery of the District’s “2019 Certificates of Participation” (the “Certificates”), evidencing an undivided and proportionate interest in Installment Payments (as defined herein) to be made by the District hereunder, under and pursuant to the Trust Indenture dated as of _____ 1, 2019.

B. The proceeds of the Certificates will be deposited with Trustee to make deposits to the Project Fund and the Delivery Costs Fund (as those terms are defined herein) hereunder.

C. District and Corporation have entered into an Installment Sale Agreement dated as of _____ 1, 2019 (“Installment Sale Agreement”), whereby Corporation has agreed to acquire the Project and to sell the Project to District, in the manner and on the terms set forth in the Installment Sale Agreement.

E. Under the Installment Sale Agreement, District is obligated to make Installment Payments (as defined herein) to Corporation for the Project, and certain other payments.

F. For the purpose of financing the acquisition and construction of the Project, Corporation has assigned and transferred substantially all of its rights under the Installment Sale Agreement to the Trustee pursuant to the Assignment Agreement, and in consideration of such assignment and the execution of this Trust Indenture, the Trustee has agreed to execute and deliver the Certificates, each evidencing a fractional, undivided interest in the Installment Payments.

G. The Certificates shall be payable from the Installment Payments payable by the District under the Installment Sale Agreement, and certain moneys and earnings thereon held by the Trustee under this Trust Indenture, as provided for under the terms of this Trust Indenture.

H. The Installment Payments will be secured by a pledge of the Net Revenues (as those terms are defined in the Trust Indenture); and

I. The pledge of Net Revenues to the Installment Payments will be on a parity basis with the District’s pledge of Net Revenues as security for:

(i) the District’s 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000; and

(ii) the District's 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000.

J. All acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the executing and entering into of this Trust Indenture do exist, have happened and have been performed in regular and due time, form and manner.

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. Definitions. For all purposes of this Trust Indenture, the following terms shall have the following meanings, unless the context requires otherwise. Capitalized terms used but not defined herein shall have the meanings given to them in the Installment Sale Agreement.

“**Act**” means the California Water District Law, Division 13 of the California Water Code, as amended from time to time.

“**Assignment Agreement**” means the assignment agreement between Corporation and the Trustee, dated as of _____ 1, 2019, pursuant to which substantially all the rights of Corporation under the Installment Sale Agreement are assigned to the Trustee, together with any and all amendments, supplements and replacements.

“**Average Annual Installment Payments**” means the total amount of then unpaid Installment Payments as of the date of calculation, and dividing that total by the number of Certificate Years remaining to final maturity of the Certificates.

“**Business Day**” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“**Certificates**” means the District’s “2019 Certificates of Participation” in the principal amount of \$_____, executed and delivered under this Trust Indenture.

“**Certificates Owner**” or “**Owner**” means the registered owner of any Certificate.

“**Certificate Register**” means the books which the Trustee shall keep or cause to be kept at its principal corporate trust office on which the registration and transfer of the Certificates shall be recorded pursuant to Section 205 hereof.

“**Certificate Year**” means the 12-month period commencing on the day after expiration of the preceding Certificate Year, except the first Certificate Year, which shall commence on the Delivery Date and end on September 1, 2020. The first full Certificate Year shall begin on September 2, 2020.

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

“**Completion Date**” means the date of completion of acquisition, construction, installation and equipping of the Project, as evidenced by the filing with the Trustee of a Certificate of Completion.

“**Continuing Disclosure Certificate**” means that certain Continuing Disclosure Certificate dated as of the Delivery Date executed and delivered by the District, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporation” means Moulton Niguel Water District Public Facilities Corporation.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to District or Corporation relating to the execution and delivery of the Certificates, including but not limited to settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, including Trustee’s first annual administration fee, legal fees and charges, financial and other professional consultant fees, verification agent fees, and the costs of rating agencies for credit rating of the Certificates.

“Delivery Costs Fund” means that fund established pursuant to Section 501 and administered under Section 504 hereof.

“Delivery Date” means the dates on which the Certificates are delivered to the Original Purchaser.

“Depository” means the securities depository acting as Depository pursuant to Section 305 hereof.

“District” means the Moulton Niguel Water District.

“District Representative” means the President of the Board, the General Manager, the Director of Finance, or any other person authorized by resolution of the Board of the Directors of the District to act on behalf of the District under or with respect to this Trust Indenture.

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

“Event of Default” is defined by Section 801 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 District and related parties do not own more than a ten percent (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 Regulations, the term “investment” will include a hedge.

“Fiscal Year” means the twelve-month period from July 1 through and ending June 30.

“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

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rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“**Independent Financial Consultant**” means a consultant or firm of such consultants generally recognized to be qualified in calculation of amounts to be rebated to the federal government pursuant to Section 148 of the Code and the related Regulations and compliance with such laws and regulations, appointed and paid by District and who, or each of whom:

- (1) is independent of District;
- (2) does not have any substantial interest, direct or indirect, with District; and
- (3) is not connected with District as a member, officer or employee of District, but who may be regularly retained to make annual or other reports to District.

“**Installment Payment Date**” means the date on which any Installment Payment is due and payable under the Installment Sale Agreement (March 1 and September 1).

“**Installment Payment Fund**” means that fund established by the Trustee pursuant to Section 501 hereof.

“**Installment Payments**” is defined in Section 1.01 of the Installment Sale Agreement.

“**Installment Sale Agreement**” means the installment sale agreement between Corporation and District dated as of _____ 1, 2019, and any and all amendments, supplements and replacements thereto.

“**Interest Payment Date**” means March 1 and September 1 in each year, commencing March 1, 2020.

“**Moody’s**” means Moody’s Investors Service, Inc. 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 305 herein.

“**Original Purchaser**” means _____, as original purchaser of the Certificates upon their delivery by the Trustee on the Delivery Date.

“**Outstanding**” or “**Outstanding Certificates**” means all Certificates which have been executed and delivered by the Trustee under this Trust Indenture, except the following:

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

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

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

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities;
- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated “AA” or better by S&P;
- (c) U.S. dollar denominated deposit accounts federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “A” or better by S&P, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, “A” or better by S&P, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;
- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below “A”; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public boards and other entities.

“Prepayment Date” means a date on which Certificates are prepaid under Section 401 hereof

“Prepayment Fund” means that fund established by the Trustee pursuant to Section 402 hereof.

“Prepayment Price” means that price at which a Certificate or Certificates shall be prepaid.

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“**Project**” is defined in Section 1.01 of the Installment Sale Agreement.

“**Project Costs**” means all costs of payment of, or reimbursement for, acquisition, construction, installation and equipping of the Project, including but not limited to, architect and engineering fees, construction contractor payments, costs of feasibility and other reports, inspection costs, performance bond premiums, and permit fees.

“**Project Fund**” means the fund of that name created in Section 503.

“**Rating Agencies**” means Fitch and Standard & Poor’s, and their successors and assigns.

“**Record Date**” means, with respect to any Interest Payment Date, the fifteenth day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

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

“**Replacement Certificates**” means the Certificates executed and delivered directly to the Certificate Owners upon termination of the book-entry transfer system.

“**Resolution**” means Resolution No. _____ adopted by the Board of Directors of the District on _____, 2019, authorizing the execution, sale and delivery of the Certificates and approving the terms and provisions of the Certificates, this Trust Indenture, the Installment Sale Agreement, and other related documents.

“**Responsible Officer**” means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

“**Special Counsel**” means any firm of nationally recognized municipal bond attorneys selected by the District and experienced in the issuance of municipal obligations and the exclusion of the interest thereon from gross income for federal income tax purposes.

“**Standard & Poors**” or “**S&P**” means S&P Global Ratings, 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.

“**State**” means the State of California.

“**Tax Certificate**” means that certificate signed by the District on the Delivery Date relating to the requirements of the Code.

“**Trust Indenture**” means this Trust Indenture, dated as of _____ 1, 2019, by and between the District, the Corporation and the Trustee, as it may from time to time be supplemented or amended pursuant to the provisions hereof.

“**Trust Estate**” means:

(1) all right, title and interest of the Trustee in and to the Installment Payments and the Installment Sale Agreement; and

(2) all moneys and securities from time to time deposited in the funds and accounts established hereunder, including all income and investment earnings thereon, except for the Rebate Fund.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, and having a corporate trust office in Los Angeles, California, or any other bank or trust company duly organized or 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 Trust Indenture.

“Trustee Amounts” is defined in Section 5.04 of the Installment Sale Agreement.

“U.S. Government Obligations” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

Section 102. Rules of Construction. For all purposes of this Trust Indenture, unless the context requires otherwise:

(1) All references to designated Articles, Sections and other subdivisions are to the Articles, Sections and other subdivisions of this Trust Indenture.

(2) 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. The words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Indenture as a whole and not to any particular articles, section, subdivision or clause thereof.

(3) All accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles.

ARTICLE II
THE CERTIFICATES

Section 201. Authorized Amount of Certificates; Source of Payment. No Certificates may be executed and delivered under the provisions of this Trust Indenture except in accordance with this Article. The Certificates evidence fractional undivided interests in the Installment Payments. The Trustee is authorized and directed, upon written request of the District, to execute the Certificates in the aggregate principal amount of _____ Dollars (\$_____) for the purpose of financing the costs of constructing the Project.

The sources for payment with respect to the Certificates, or interest, or premium with respect thereto, shall be limited to the Installment Payments, the sources of payment of which are established in the Installment Sale Agreement and amounts held under this Trust Indenture.

Section 202. Description of Certificates; Maturity; Interest Rates. The Certificates shall be designated "MOULTON NIGUEL WATER DISTRICT 2019 CERTIFICATES OF PARTICIPATION" and will be dated as of the Delivery Date. The Certificates shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

Maturity Date (September 1)	Principal Amount	Interest Rate Per Annum
	\$	%

The Certificates shall be delivered as fully registered Certificates without coupons in denominations of \$5,000 principal amount or any integral multiple thereof. No Certificate may have principal maturing in more than one year. The Certificates shall be numbered in consecutive numerical order or as the Trustee shall otherwise determine.

Section 203. Medium and Place of Payment. Payments of principal, interest and premium, if any, with respect to the Certificates will be made to Owners as of the Record Dates. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest with respect to the Certificates shall be payable on each Interest Payment Date, commencing March 1, 2020, to and including the date of maturity or prepayment, whichever is earlier. Said interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month Installment Period preceding each Interest Payment Date with respect to the Certificates. The fractional undivided share of the portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate.

Interest with respect to any Certificate shall be payable from and including the Interest Payment Date next preceding the date of execution thereof, unless (i) such date of execution is an Interest Payment Date, in which event interest shall be payable from such date of execution, (ii) the date of execution is after a Record Date 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 execution 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 execution of a Certificate, interest is in default, interest with respect to that Certificate 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.

Payment of interest with respect to any Certificate shall be made to the person appearing on the Certificate Register as the owner thereof as of the Record Date prior to such Interest Payment Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such Owner at its address as it appears on the Certificate Register ; provided that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount with respect to the Certificates, 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 204. Execution of Certificates. The Certificates in the principal amount of \$_____ shall be executed in the name of the Trustee by the manual signature of an authorized signatory of the Trustee. Only such Certificates executed by the Trustee shall be valid for any purpose or entitled to the benefits of this Trust Indenture.

Section 205. Certificate Register. The Trustee will keep or cause to be kept at, its principal corporate trust office the Certificate Register which shall at all times be open to inspection by 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 Certificate Register Certificates as herein provided.

Section 206. Registration of Exchange or Transfer. The registration of any Certificate may, in accordance with its terms, be transferred upon the Certificate Register by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate 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 Certificate Owner or his or her duly authorized attorney. Certificates may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount and maturity of Certificates of other authorized denominations. The Trustee may charge the Certificate Owner any tax or other governmental charge required with respect to such transfer or exchange. Whenever any Certificate or Certificates shall be surrendered for registration of transfer or exchange, the Trustee shall execute and deliver a new Certificate or Certificates, for a like aggregate principal amount and maturity; provided, the Trustee shall not be required to register transfers or make exchanges of (i) Certificates for a period of 15 days next preceding the date established by the Trustee for selection of the Certificates to be prepaid, or (ii) any Certificates chosen for prepayment.

Section 207. Mutilated, Destroyed, Lost or Stolen Certificates. If any Certificate has been mutilated, destroyed, lost or stolen, the Trustee will execute and deliver a new Certificate of the same denomination provided that any mutilated Certificate shall first be surrendered to the Trustee. In the case of a destroyed, lost or stolen Certificate, there shall first be furnished to the Trustee evidence of the destruction, loss or theft, together with an indemnity naming District and the Trustee. If such Certificate has matured, the Trustee may, with District's consent, pay the same without surrender thereof, instead of executing a replacement Certificate, and impose such requirements as the Trustee sees fit for its protection, including a lost instrument bond. District

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and the Trustee may charge the owner their reasonable fees and expenses in this connection. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Indenture with all other Certificates secured by this Trust Indenture. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 207, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Certificate upon receipt of the aforementioned indemnity.

Subject to the provisions of this Trust Indenture, the Certificates shall be executed and delivered in substantially the form set forth in Exhibit A attached hereto and herein incorporated, which is hereby approved and adopted as the form of the Certificates and of the certificate of execution.

Section 208. Payments from Trust Estate Only. Amounts payable by the Trustee with respect to Certificates pursuant to this Trust Indenture shall be payable solely from the Trust Estate and only to the extent that the Trustee shall have actually received sufficient amounts in the Trust Estate to make the payments required hereunder and under the Certificates.

ARTICLE III
BOOK-ENTRY PROVISIONS

Section 301. Book-Entry System; Limited Obligation of the District. The Certificates shall be initially executed and delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity of the Certificates. Upon initial execution and delivery, the Ownership of each such Certificate shall be registered in the Certificate Register by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in Section 206 hereof, all of the Outstanding Certificates shall be registered in the Certificate Register by the Trustee in the name of the Nominee.

With respect to Certificates registered in the Certificate Register by the Trustee in the name of the Nominee, District, Corporation and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, neither the District, the Corporation 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 Certificates, (ii) the delivery to any Participant or any other Person, other than a Certificate Owner as shown in the Certificate Register, of any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in the Certificates to be prepaid in the event the Certificates are prepaid in part, or (iv) the payment to any Participant or any other Person, other than a Certificate Owner as shown in the Certificate Register, of any amount with respect to principal of, premium, if any, or interest with respect to the Certificates. District, Corporation and the Trustee may treat and consider the Person in whose name each Certificate is registered in the Certificate Register as the absolute Owner of such Certificate for the purpose of payment of principal, premium and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest with respect to the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge District's obligations with respect to payment of principal of, premium, if any, and interest on the Certificates to the extent of the sum or sums so paid. No Person other than a Certificate Owner, as shown in the Certificate Register, shall receive a Certificate evidencing the obligation of District to make payments of principal, premium, if any, and interest pursuant to this Trust Indenture and the Installment Sale Agreement. Upon delivery by the Depository to the Certificate Owner, the Trustee and 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 Dates, the word Nominee in this Trust Indenture shall refer to such new nominee of the Depository.

Section 302. Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the District has executed and delivered to the Depository 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 or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Certificates other than the Owners of the Certificates, as shown on the Certificates Register. In addition to the execution and delivery of the Representation Letter, the District shall

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take such other actions, consistent with this Trust Indenture, as are reasonably necessary to qualify the Certificates for the Depository's book-entry program.

Section 303. Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Certificates, 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 Certificate, 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 Certificates shall no longer be restricted to being registered in the Certificate Register in the name of the Nominee, but shall be registered in whatever name or names Owners of the Certificates transferring or exchanging Certificates shall designate, in accordance with the provisions of Section 206, hereof, and the Trustee shall execute and deliver Certificates to the Owners thereof for such purposes.

In the event of a reduction in aggregate principal amount of Certificates Outstanding, DTC in its discretion, (a) may request the Trustee to execute and deliver a new Certificate, or (b) may make an appropriate notation on the Certificate 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 Certificate, except in the case of final maturity in which case the Certificate must be presented to the Trustee prior to payment.

Section 304. Payments to the Nominee. Notwithstanding any other provisions of this Trust Indenture to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest evidenced by such Certificate and all notices with respect to such Certificate 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 305. Initial Depository and Nominee. The initial Depository under this Article shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

ARTICLE IV
PREPAYMENT

Section 401. Optional Prepayments. Certificates maturing on or before September 1, 20__ shall not be subject to optional prepayment prior to maturity. Certificates maturing on or after September 1, 20__ may be prepaid before maturity in whole or in part (but not in a total prepayment amount of less than \$5,000) on September 1, 20__, or on any date thereafter (“Prepayment Date”) as a result of the prepayment of Installment Payments, at a price equal to the principal amount thereof together with accrued interest thereon to the Prepayment Date without premium (“Prepayment Price”).

If, on any Prepayment Date, fewer than all the Certificates are to be prepaid, the District will select the Certificates to be prepaid at its discretion, and in the case of any single maturity by lot within that maturity. The portion of any such Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part to \$5,000.

If any Certificate is to be prepaid as provided in this Section 401, District will, at least 45 days before the Prepayment Date, notify the Trustee in writing of its election to prepay the maturities so selected by the District, the Prepayment Date and the principal amount of Certificates to be prepaid, unless such notice is otherwise waived by the Trustee.

Section 402. Mandatory Sinking Account Prepayment. The Certificates maturing on September 1, 20__ and September 1, 20__ are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 20__ and September 1, 20__, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment date, as follows:

\$ _____ **Certificates Maturing September 1, 20__**

Year <u>(September 1)</u>	Principal Amount of Certificates to be <u>Prepaid</u> \$
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\$ _____ Certificates Maturing September 1, 20__

Year <u>(September 1)</u>	Principal Amount of Certificates to be <u>Prepaid</u> \$
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In the event that the Trustee prepays the Certificates maturing on September 1, 20__ or September 1, 20__ in part but not in whole pursuant to a prepayment described in Section 401, the amount of the Certificates to be prepaid on each prepayment date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

Section 403. Prepayment Fund. Prior to any prepayment of Certificates pursuant to Section 401 above, there shall be established by the Trustee a fund to be designated the "Moulton Niguel Water District 2019 Certificates of Participation Prepayment Fund" ("Prepayment Fund"). Prior to any prepayment under Section 401 or 402 above, the Trustee, at the direction of District, shall deposit in the Prepayment Fund moneys made available for the purpose of and sufficient to prepay, at the premiums, if any, payable as provided in this Trust Indenture, the Certificates designated in such notice of prepayment to the Trustee.

Moneys referred to in the previous paragraph must be deposited prior to the date the notice of prepayment is given by the Trustee under Section 404 hereof, except where such prepayment is to be made from the proceeds of refunding certificates, and be set aside in the Prepayment Fund solely for the purpose of prepaying Certificates. Money so deposited shall be applied on or after the Prepayment Date to the payment of principal and premium (if any) with respect to the Certificates to be prepaid upon presentation and surrender of such Certificates.

If, after all of the Certificates so designated for prepayment have been prepaid and cancelled or paid and cancelled, there are moneys remaining in the Prepayment Fund, said moneys shall be transferred to the Installment Payment Fund. If such remaining moneys are part of the proceeds of refunding certificates, such moneys may, at the direction of District, be transferred to the fund or account created for the payment of principal of and interest on such refunding certificates.

Section 404. Notice of Prepayment. Unless waived by any Owner of Certificates to be prepaid, notice of any prepayment of Certificates shall be given, at the expense of the District, by the Trustee by mailing a copy of a prepayment notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for prepayment to the Owner of the Certificate or Certificates to be prepaid at the address shown on the Certificate Register; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates. Any such notice also shall be given to the Securities Depositories and posted on the Municipal Securities Rulemaking Board's Electronic Municipal Marketplace Access website on the same date that it is given to the Owner of the Certificates.

Section 405. Contents of Notice. All notices of prepayment shall be dated and shall state:

- (i) the CUSIP numbers of all Outstanding Certificates being prepaid;
- (ii) the stated interest rate with respect to each Certificate being prepaid;
- (iii) the maturity date of each Certificate being prepaid;
- (iv) the Prepayment Price;
- (v) that on the prepayment date the Prepayment Price will become due and payable with respect to each such Certificate or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date; and
- (vi) the place or places where such Certificates are to be surrendered for payment of the Prepayment Price, which places of payment may include the Principal Corporate Trust Office of the Trustee.

The District may send a conditional notice of prepayment that notifies the Owners of the Certificates to be prepaid that the prepayment is subject to the availability of funds. The District shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Outstanding Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under this Trust Indenture. The District and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Section 406. Consequences of Notice. Notice of prepayment having been given as aforesaid, the Certificates or portions of Certificates so to be prepaid shall, on the prepayment date, become due and payable at the Prepayment Price therein specified, and from and after such date (unless the District shall default in the payment of the Prepayment Price) such Certificates or portions of Certificates shall cease to have interest accrue thereon. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trustee at the Prepayment Price. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Certificate, there shall be prepared for the Owner a new Certificate or Certificates of the same maturity in the amount of the unprepaid principal. All Certificates that have been prepaid shall be cancelled and destroyed by the Trustee and shall not be redelivered. Neither the failure of any Certificate Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for prepayment of any Certificates nor the cessation of accrual of interest thereon.

Section 407. Partial Prepayment of Certificates. In the event only a portion of any Certificate is called for prepayment, then upon surrender of such Certificate prepaid in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Certificate or Certificates, of the same maturity, of authorized

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denominations in aggregate principal amount equal to the unrepaid portion of the Certificate or Certificates.

Section 408. Manner of Prepayment. Whenever any Certificates are to be selected for prepayment and unless otherwise provided herein, the District shall determine the Certificates or portions thereof to be prepaid among series and maturities within a series and notify the Trustee, and the Trustee shall select the Certificates or portions thereof to be prepaid by lot within a maturity and notify the District.

Section 409. Purchase in Lieu of Prepayment. In lieu of prepayment under Section 401, moneys in the Debt Service Fund or other funds provided by the District may be used and withdrawn by the Trustee for purchase of Outstanding Certificates, upon the filing with the Trustee of a Certificate of the District requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Certificate of the District may provide, but in no event may Certificates be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium that would otherwise be due if such Certificates were to be prepaid in accordance with this Trust Indenture. Any Certificates purchased pursuant to this Section 410 shall be treated as Outstanding Certificates under this Trust Indenture, except to the extent otherwise directed in a Certificate of the District. Upon receipt of such a Certificate of the District, the Trustee shall cancel and destroy the Certificates that are the subject thereof.

ARTICLE V
APPLICATION OF PROCEEDS AND PAYMENT OF
CERTIFICATES

Section 501. Creation of Funds and Application of Initial Sale Proceeds.

(a) The following funds and accounts are hereby created and established and shall be maintained by the Trustee, subject to the terms and conditions herein:

(1) The "Moulton Niguel Water District 2019 Certificates of Participation Installment Payment Fund" ("Installment Payment Fund");

(2) The "Moulton Niguel Water District 2019 Certificates of Participation Delivery Costs Fund" ("Delivery Costs Fund"); and

(3) Moulton Niguel Water District 2019 Certificates of Participation, Rebate Fund ("Rebate Fund").

(b) On the Delivery Date, the Original Purchaser will pay a purchase price for the Certificates in the amount of \$_____, which is equal to the original principal amount of the Certificates (\$_____), plus a net original issue premium of \$_____, less an underwriter's discount of \$_____. On the Delivery Date, the Original Purchaser will wire the purchase price for the Certificates to the Trustee in the net amount of \$_____, because the Trustee holds \$_____ of such purchase price under a Good Faith Funds Custodial Agreement, dated _____, 2019, and the Trustee shall apply such purchase price on the Delivery Date in the following manner:

(1) \$_____, an amount equal to the Delivery Costs shall be deposited in the Delivery Costs Fund; and

(2) the balance of \$_____ shall be deposited into the Project Fund to finance the costs of the acquisition and construction of the Project.

The Trustee may, in its discretion, establish a temporary fund or account in its books or records to facilitate such transfers at no additional cost to the District or the Corporation.

Section 502. Installment Payment Fund.

(a) The moneys in the Installment Payment Fund shall be held by the Trustee in trust, and shall be subject to a lien and charge in favor of the Owners of the Certificates executed and outstanding under this Trust Indenture.

There are hereby created and established two accounts in the Installment Payment Fund to be known as:

(1) the Interest Account; and

(2) the Principal Account.

The Trustee will deposit the moneys received from District to be applied to Installment Payments, upon receipt thereof, into the Interest Account and Principal Account within the

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Installment Payment Fund. Funds will be deposited so that the respective amounts in such accounts will be equal to the principal and interest due with respect to the Certificates on the ensuing Interest Payment Date, less amounts on hand in such accounts available to pay such principal and/or interest.

Interest or other income earned on moneys or investments in the Installment Payment Fund shall be retained in such fund (and the respective accounts therein) and used for the purposes authorized herein.

(b) If three Business Day prior to an Interest Payment Date the Trustee determines that there will be insufficient funds in the Installment Payment Fund to pay the principal or interest with respect to the Certificates on such Interest Payment Date, the Trustee shall so notify District. Such notice shall specify the amount of the anticipated deficiency.

Section 503. Project Fund.

(a) The amount of \$_____ from proceeds of the Certificates shall be deposited to the Project Fund, to be held and applied as hereinafter provided.

(b) Amounts in the Project Fund shall be disbursed for Project Costs by the Trustee upon receipt of a sequentially requisition requesting disbursement executed by a District Representative, in the form attached hereto as Exhibit C.

(c) The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 7.02 hereof) of the moneys held in the Project Fund and the payment thereof in accordance with this Section 503, but the Trustee shall not be responsible for such requisitions and shall be under no duty to investigate or verify any statements made therein.

(d) The Trustee is hereby directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a District Representative to be required for payment of Project Costs shall, on the Completion Date for the Project, be transferred to the Installment Payment Fund and applied as a credit against the Installment Payments as the same become due and payable, and the Project Fund shall be closed.

Section 504. Delivery Costs Fund.

(a) The Trustee shall, on the Delivery Date, deposit \$_____ from the proceeds of the Certificates in the Delivery Costs Fund and shall maintain such fund as set forth herein.

(b) The Trustee shall disburse funds from the Delivery Costs Fund for payment of Delivery Costs upon receipt of a payment request form substantially in the form of Exhibit B and approved by a District Representative. All interest earnings on moneys in the Delivery Costs Fund shall be retained therein and used to pay the Delivery Costs.

(c) Upon payment in full of all Delivery Costs, which shall be established by a certificate to the Trustee to that effect by a District Representative, and in any event no later than _____, 20__ [THREE MONTHS AFTER CLOSING], the Trustee shall transfer all funds remaining in the Delivery Costs Fund to the Project Fund.

Section 505. Reserved .**Section 506. Rebate Fund.**

(a) Establishment. The Trustee shall establish a Rebate Fund and shall maintain such fund for the Certificates. Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest on the Certificates will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to 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 506 and the Tax Certificate for such Certificates, unless and to the extent that the District delivers to the Trustee an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates will not be adversely affected if such requirements are not satisfied. Notwithstanding any other provision of this Trust Indenture, the Trustee shall be deemed conclusively to have complied with this Section 506 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 506 or the Tax Certificate.

(1) 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 Certificate Year and every fifth Certificate 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 Certificate 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 506.

(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 Certificate Year, and (B) each applicable fifth Certificate 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 Certificate Year; and

(Y) Not later than 60 days after the payment of all the Certificates, 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 Certificate 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.

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In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit 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)(1) 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 Certificates after payment or prepayment of the Certificates and the payments of all amounts described in subsection (a)(1)(ii) above 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 506 to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Certificates.

(d) Modification Upon Opinion of Special Counsel. Notwithstanding the foregoing, if the District shall obtain an opinion of Special Counsel that any specified action under this Section 506 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 Certificates, the District and the Trustee may conclusively rely on such opinion in complying with the requirements hereunder, and the terms of this Section 506 shall be deemed modified to that extent.

Section 507. Investment of Moneys Held by Trustee. The Trustee shall maintain separate books and records regarding the investment of monies in any of the funds or accounts established pursuant to this Trust 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 Delivery Costs 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 Installment 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 Certificates as the same become due; and

(c) Monies in the Rebate Fund shall be invested only in U.S. 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 506 hereof or the Tax Certificate.

Absent direction from the District, and subject to any limitations on investment yield or further investment restrictions set forth in this Trust Indenture, the Trustee shall invest monies in any of the funds or accounts created by this Trust Indenture in Permitted Investments described in clause (e) of the definition thereof. The Trustee shall sell or present for redemption 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. The value of the Permitted Investments shall be determined as follows, subject to any requirements set forth in the Regulations: (i) for the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Subject to Section 905, the Trustee will not be responsible for any loss from any investment authorized pursuant to this Trust Indenture. 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.

(d) The District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Indenture, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code.

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 investment department or trust investment department, or those of its parent or any affiliate.

ARTICLE VI
COVENANTS

So long as any of the Certificates are Outstanding and unpaid, District and Corporation make the following covenants with the Certificate Owners under the provisions of this Trust Indenture (to be performed by District and Corporation or their proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Certificates and tend to make them more marketable:

Section 601. Payment of Installment Payments. District will promptly pay the Installment Payments, on the dates and in the manner provided in the Installment Sale Agreement, but only from the sources available therefor under the Installment Sale Agreement. Corporation will not sell, assign, transfer or otherwise dispose of the Installment Sale Agreement, any Installment Payment thereunder or any right to enforce the Installment Sale Agreement, except as permitted pursuant to the Assignment Agreement.

Section 602. Cooperation of District and Corporation. Subject to Section 905 hereof, the Trustee is hereby directed to enforce, on behalf of Corporation, the rights to collect Installment Payments or otherwise protect its interests and rights under the Installment Sale Agreement in the event of a default thereunder by District. District and Corporation shall cooperate fully with the Trustee in order to enable it to take any action required hereunder; in particular, Corporation shall cooperate fully with the Trustee in order to enable it to enforce any rights or pursue any remedies under the Installment Sale Agreement.

Section 603. Further Assurances. District and Corporation will execute and deliver such supplemental Trust Indentures and such further instruments, and do such further acts, as the Trustee may reasonably require for the better assuring, and confirming to the Trustee the amounts from the sources available under the Installment Sale Agreement for the payment of the Certificates.

Section 604. Tax Covenants. District hereby covenants to comply with the following covenants:

(a) Private Activity Bond Limitation. The District will assure that the proceeds of the Certificates are not so used as to cause the obligations of the District under the Installment Sale Agreement 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 obligations of the District under the Installment Sale Agreement 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 section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Installment Sale Agreement.

(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 Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of delivery of the Installment Sale Agreement would have caused any of the obligations of the District under the Installment Sale Agreement 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 with respect to the Certificates from the gross income of the Owners of the Certificates 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 delivery of the Installment Sale Agreement.

(f) Record Retention. The District will retain its records of all accounting and monitoring it carries out with respect to the Certificates for at least 3 years after the Certificates mature or are prepaid (whichever is earlier); however, if the Certificates are prepaid and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Certificates.

(g) Compliance with Tax Certificate. The District will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Certificates, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Certificates.

Section 605. 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 Trust Indenture, and for better assuring and confirming unto the Owners of the rights and benefits provided in this Trust Indenture.

Section 606. 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 Trust 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 Trust 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 Certificates and upon receipt of reasonable indemnification acceptable to it, or any Certificate Owner 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, "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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Certificates for federal income tax purposes.

ARTICLE VII
DISCHARGE

Section 701. Certificates Deemed Paid. Any Certificate will be deemed paid for all purposes of this Trust Indenture when:

(a) Payment of the principal, interest and premium, if any, that will become due with respect to such Certificate to the due date of such principal, interest and premium, if any, (whether at maturity, upon prepayment or otherwise) either

(1) has been made in accordance with the terms of such Certificate; or

(2) has been provided for by the deposit with the Trustee of:

(i) moneys, which may include moneys held in any fund or account on deposit with the Trustee, and/or

(ii) direct, noncallable U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will, together with moneys set aside in accordance with clause (i) above, insure the availability of sufficient moneys to make such payment,

or such Certificate has been purchased prior to maturity and tendered to the Trustee for cancellation in accordance with Section 409.

(b) All compensation and expenses of the Trustee pertaining to such Certificate or to which the Trustee is otherwise entitled under this Trust Indenture have been paid or provided for. This includes, without limitation, provision for any indemnity that the Trustee may require.

(c) When a Certificate is deemed paid, it will no longer be secured by or entitled to the benefits of this Trust Indenture, except for payment from such moneys or U.S. Government Obligations and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article II.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the first paragraph of this Section shall be deemed a payment of a Certificate until:

(1) the Certificate matures; or

(2) notice of prepayment of the Certificate is given in accordance with Article IV; or

(3) District has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to notify the Certificate Owner that the deposit required by (a)(2) above has been made with the Trustee, and that the Certificate is deemed to be paid under this Article. In addition, the notification will state the maturity or Prepayment Date upon which the moneys are to be available for the payment of the principal of the Certificate.

Any notice given under (c)(2) or (c)(3) with respect to Certificates constituting fewer than all of the Certificates of a maturity, shall specify the letter and number or other distinguishing mark of each such Certificate deemed to be paid.

Section 702. Discharge. When all Outstanding Certificates are deemed paid under the foregoing provisions of this Section, the Trustee will upon request acknowledge the discharge of District's payment obligations under the Installment Sale Agreement, provided, however, that in any event, District's obligations to indemnify the Trustee pursuant to Section 903 of this Trust Indenture shall survive such discharge.

Section 703. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to the preceding Section and shall apply the deposited money and the money from the U.S. Government Obligations in accordance with this Trust Indenture only to the payment of principal, interest and premium, if any, with respect to the Certificates in respect of which the deposit has been made.

Section 704. Unclaimed Moneys Upon Expiration of Term. Notwithstanding any other provision in Article VII of this Trust Indenture, but subject to the notice requirements set forth below, upon expiration of the term of this Trust Indenture, or a period of two years after the date of maturity or prepayment for any Certificate, as appropriate, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal or Prepayment Price represented by such of the Certificates shall be repaid by the Trustee to District as its absolute property free from trust. The Trustee shall thereupon be released and discharged with respect thereto, and the Owners shall look only to District for the payment of the interest and principal of Prepayment Price represented by such Certificates unless otherwise specified by applicable abandoned property law of the State. Prior to paying such funds over to District, as provided for above, the Trustee shall mail a notice (in a form determined by the Trustee) to the Owners of all Outstanding Certificates that:

- (1) such funds so payable remain unclaimed; and
- (2) that after a date specified in such notice (at least 30 days after the notice is mailed) the balance of such moneys unclaimed will be returned to District.

ARTICLE VIII
DEFAULTS AND REMEDIES

Section 801. Events of Default. An “Event of Default” is any of the following:

(1) There is a default in the payment of interest, principal or premium with respect to any Certificate when due, at maturity or upon prepayment or otherwise.

(2) An “event of default” has occurred and is continuing under the Installment Sale Agreement.

(3) District or Corporation fails to perform any of its respective agreements in this Trust Indenture or the Certificates (except a failure that results in an Event of Default under clause (1) or (2) above), and the failure continues after the notice and for the period specified in this Section 801.

A default under clause (3) is not an Event of Default until:

(a) the Trustee or the Owners of at least 25% in principal amount of the Certificates give District or Corporation, as applicable, a notice specifying the default, demanding that it be remedied and stating that the notice is a “Notice of Default”, and

(b) District or Corporation, as applicable, does not cure the default within 45 days after receipt of the notice, or within such longer period as the Trustee shall agree to. The Trustee shall not unreasonably refuse to agree to a longer period if the default cannot reasonably be cured within 45 days after receipt of the notice and District or Corporation, as applicable, has begun within 45 days diligent efforts to correct the default have continued.

If an Event of Default occurs and is continuing, the Trustee will mail notice of the Event of Default to the Certificate Owners as promptly as practicable after the Trustee has notice of it as provided in Section 906 hereof. The Trustee shall not be required to mail notice of an Event of Default if the Trustee determines that such shall not be in the best interest of the Owners.

A default of the District under the terms of the Continuing Disclosure Certificate shall not be an Event of Default.

Section 802. Acceleration; Remedies for Event of Default. If,

(a) an Event of Default occurs under clause (1) of the foregoing section; or

(b) an Event of Default occurs under Clause (2) or (3) of the foregoing Section and is continuing and the Trustee has provided three days written notice of the Event of Default under clause (2) or (3) to District and Corporation, the Trustee may, and upon the written direction of the Owners of at least 25% in principal amount of the Outstanding Certificates, the Trustee shall, declare the principal components of all remaining Installment Payments to be due and payable from the Net Revenues whereupon such principal components of all remaining Installment Payments and the interest accrued to the date of payment shall without further action come immediately due and payable , anything in this Trust Indenture or the Certificates to the contrary notwithstanding.

At the same time as such notice to District, the Trustee will notify the Certificate Owners that their Certificates shall be presented for payment of principal and accrued interest with respect to the Certificates on the date such accelerated Installment Payments are due and payable, and that interest with respect to the Certificates shall cease to accrue on such day. At any time after the principal components of all remaining Installment Payments shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if:

(1) District has paid or caused to be paid or deposited with the Trustee moneys sufficient to pay all matured installments of interest, interest on delinquent installments of principal and interest and principal, or Prepayment Prices then due (other than the principal then due only because of such declaration) under the Installment Sale Agreement;

(2) all compensation and expenses of the Trustee pertaining to such Certificates or to which the Trustee is otherwise entitled under this Trust Indenture have been paid or provided for, including without limitation, provision for any indemnity that the Trustee may require, to the Trustee's satisfaction;

(3) all other amounts then payable by District under the Installment Sale Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and

(4) every Event of Default (other than a default in the payment of the principal of the Installment Payments then due only because of such declaration) shall have been remedied, then the Trustee may annul such declaration and its consequences with respect to any Certificates or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 803. Other Remedies for Events of Default. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal or interest with respect to the Certificates or the Installment Payments or to enforce the performance of any provision of the Certificates, this Trust Indenture, or the Installment Sale Agreement.

All rights of action (including the right to file proof of claims) under this Trust Indenture or any Certificate may be enforced by the Trustee even if it does not possess any of the Certificates or does not produce any of them in the proceeding. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Certificate Owners. Any recovery of judgment shall be for the equal and ratable benefit of the Owners of all Outstanding Certificates, except as otherwise provided by this Trust Indenture.

Section 804. No Delay or Omission Construed to be a Waiver. No delay or omission of the Trustee or of any Owner of Certificates 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 any acquiescence therein. Every power and remedy given by this Trust Indenture to the Trustee and to the Owners of the Certificates, respectively, may be exercised from time to time and as often as may be deemed expedient. No remedy is exclusive of any other remedy. All available remedies are cumulative.

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Section 805. 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 Certificate Owner notice of the event within 90 days after the Trustee has notice of it as provided in Section 906 hereof. Except in the case of a default in payment with respect to any Certificates, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Certificate Owners.

Section 806. Control by Majority. The Owners of a majority in principal amount of the Certificates may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it, provided the Trustee may decline to follow such direction if it deems such direction to be not in the best interest of any Owner or to expose it to liability.

Section 807. Limitation on Suits. A Certificate Owner may not pursue any remedy with respect to this Trust Indenture, the Certificates or the Installment Sale Agreement unless:

- (1) the Owner gives the Trustee notice stating that an Event of Default is continuing;
- (2) the Owners of at least 25% in principal amount of the Outstanding Certificates make a written request to the Trustee to pursue the remedy;
- (3) such Owner or Owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense; and
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

A Certificate Owner may not use this Trust Indenture to prejudice the rights of another Certificate Owner or to obtain a preference or priority over the other Certificate Owner.

Section 808. Rights of Owners to Receive Payment. Notwithstanding any other provision of this Trust Indenture, the right of any Owner to receive payment of principal and interest with respect to a Certificate, on or after the due dates expressed in the Certificate, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the Owner.

Section 809. Collection Suit by Trustee. If an Event of Default under Section 801 (1), (2) or (3) hereof occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against District or Corporation for the whole amount remaining unpaid.

Section 810. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Certificate Owners allowed in any judicial proceedings relative to District or Certificate, its creditors or its property. The Trustee, unless prohibited by law or applicable regulations, may vote on behalf of the Owners in any election of a trustee in bankruptcy or other person performing similar functions.

Section 811. Priorities. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

first to the Trustee for amounts to which it is entitled under Section 903;

second to Certificate Owners for amounts due and unpaid with respect to the Certificates for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable with respect to the Certificates for principal and interest, respectively; and

third to District.

The Trustee may fix a payment date for any payment to the Certificate Owners.

ARTICLE IX
TRUSTEE

Section 901. 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 902. Removal and Resignation of the Trustee. The Trustee may resign by giving 60 days prior written notice to the District and the Certificate Owners at the address shown on the Certificate Register, subject to the conditions set forth below. The Owners of a majority in principal amount of the Outstanding Certificates 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 902, (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. The Trustee may be removed at any time for any breach of the trust set forth in this Trust Indenture. 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 in good standing, doing business and having a corporate trust office in either New York, New York or Los Angeles, California or San Francisco, California, duly authorized to exercise trust powers, having a combined reported capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 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 902 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 903. 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 District, (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 District, or (iii) the payment of any costs or expenses of the acquisition and construction of the works of improvement within the District; 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 Trust 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 903 shall survive the termination and discharge of this Trust Indenture.

Section 904. Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, Certificate, certificate, consent, notice, request, requisition, Trust 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.

The Trustee may buy, sell, own, hold and deal in any of the Certificates 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.

#8.

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 Trust Indenture or the Certificates or compliance with any federal or state securities laws, shall not be accountable for the District's covenants and representations contained in this Trust Indenture or the recitals made herein which are made by the District solely, and shall not be responsible for any statement in the Certificates other than its certificate of execution of the Certificates. 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 Certificates.

Section 905. 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 shall perform only those duties that are specifically set forth in this Trust Indenture and no others, and no implied covenants or obligations shall be read into this Trust 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 Trust Indenture. However, the Trustee shall examine these certificates and opinions to determine whether such documents conform to the requirements of this Trust 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 905,

(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, and

(3) no provision of this Trust 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 Trust Indenture that in any way relates to the Trustee is subject to all the foregoing paragraphs of this Section.

(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 with respect to the Certificates.

(f) The Trustee shall not be liable for interest on any cash held by it except as provided by Section 905(c) 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 Certificates 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 Certificates with the same rights it would have if it were not Trustee.

Section 906. 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 of Default 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.

Section 907. 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 X
AMENDMENTS AND SUPPLEMENTS

Section 1001. Without Consent of Certificate Owners. District, Corporation and the Trustee may amend or supplement this Trust Indenture or the Certificates, and District and Corporation may, with the consent of the Trustee, amend the Installment Sale Agreement, without notice to or consent of any Certificate Owner:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in this Trust Indenture or Installment Sale Agreement, respectively;
- (2) to grant to the Trustee for the benefit of the Certificate Owners additional rights, remedies, powers or authority;
- (3) to subject to this Trust Indenture or the Installment Sale Agreement security or to add other agreements of District and Corporation;
- (4) to substitute, or add, capital facilities and/or real property interests to the facilities, as identified, pursuant to Section 7.04 of the Installment Sale Agreement;
- (5) to modify this Trust Indenture, the Installment Sale Agreement or the Certificates to permit qualification under this Trust Indenture Act of 1939, as amended, or any similar Federal statute at the time in effect, or to permit the qualification of the Certificates for sale under the securities laws of any state of the United States;
- (6) to provide for uncertificated Certificates in addition to or in place of the certificated Certificates;
- (7) to evidence the succession of a new Trustee or the appointment by the Trustee, District or Corporation of a co-trustee; or
- (8) to make any change that does not materially or adversely affect the rights of any Certificate Owner.
- (9) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Installment Payments and Certificates.

Section 1002. With Consent of Certificate Owners. If an amendment of or supplement to the Trust Indenture, the Installment Sale Agreement or the Certificates without any consent of Certificate Owners is not permitted by the preceding Section 1001, District, Corporation and the Trustee may enter into such amendment or supplement to this Trust Indenture or the Certificates, and District and Corporation, with the Trustee's consent, may enter into such amendment or supplement to the Installment Sale Agreement, with the consent of the Owners of at least a majority in principal amount of the Certificates then Outstanding.

However, without the consent of each Certificate Owner affected, no amendment or supplement may:

- (1) extend the maturity, or date for payment of the principal or interest with respect to any Certificate;

(2) reduce the fractional undivided percentage of the principal amount or Prepayment Price of, or the rate of interest with respect to any Certificate;

(3) effect a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates; or

(4) reduce the percentage of the principal amount of the Certificates required for consent to any amendment or supplement.

Section 1003. Effect of Consents. After an amendment or supplement described in Section 1001 or 1002 hereof becomes effective, it will bind every Certificate Owner unless it makes a change described in any of the numbered clauses of Section 1002. In that case, the amendment or supplement will bind each Certificate Owner who consented to it and each subsequent Owner of a Certificate or portion of a Certificate evidencing the same debt as the consenting Owner's Certificate.

Section 1004. Notation on or Exchange of Certificates. If an amendment or supplement changes the terms of a Certificate, the Trustee may require the Owner to deliver it to the Trustee. The Trustee may place an appropriate notation on the Certificate about the changed terms and return it to the Owner. Alternatively, if the Trustee and District determine, in exchange for the Certificate the Trustee will execute and deliver a new Certificate that reflects the changed terms.

Section 1005. Signing by Trustee of Amendments and Supplements. The Trustee will sign any amendment or supplement to this Trust Indenture or the Certificates and will consent to any amendment or supplement to the Installment Sale Agreement authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign or consent to it, and no such amendment or supplement shall become effective without the consent of the Trustee.

In signing or consenting to an amendment or supplement, the Trustee will be entitled to receive and (subject to Sections 903 and 905 hereof) will be fully protected in relying on an opinion of Special Counsel stating that such amendment or supplement is authorized by this Trust Indenture and complies with the requirements of this Article X.

Section 1006. Notice to Certificate Owners of Trust Indenture Amendments and Supplements. The Trustee will notify each Certificate Owner by first class mail of the execution of each supplement or amendment to this Trust Indenture or the Installment Sale Agreement described in Section 1002 hereof. 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 Trustee for inspection by Certificate Owners.

Section 1007. Notices to Rating Agencies. For so long as any of the Certificates shall be rated by either of the Rating Agencies, and without limitation on any other notice requirement contained in this Trust Indenture, the Trustee shall mail the Rating Agencies which have provided such ratings, a notice of any amendment to this Trust Indenture.

ARTICLE XI
MISCELLANEOUS

Section 1101. Parties Interested Herein. Nothing in this Trust 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, the Certificate Owners, any right, remedy or claim under or by reason of this Trust Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee and the Certificate Owners.

Section 1102. Severability. If any covenant, agreement or provisions, or any portion thereof, contained in the Trust Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Trust 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 Trust Indenture and the Certificates issued pursuant hereto shall remain valid and the Certificate Owners shall retain all valid rights and benefits accorded to them under the Trust Indenture and the Constitution and laws of the State.

Section 1103. 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 National Association
Attn: Global Corporate Trust
633 West Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071
Fax: (213) 615-6199

If to the District:

Moulton Niguel Water District
26161 Gordon Road
Laguna Hills, CA 92653
Attention: General Manager

Section 1104. Notices to Rating Agencies. The Trustee shall give immediate notice to the Rating Agencies in the event:

- (a) the Trustee resigns or is replaced;
- (b) this Trust Indenture is amended or supplemented; or
- (c) there has been a prepayment or defeasance of the Certificates.

Section 1105. No Recourse Against Officers, Etc. No director, officer or employee of District or the Corporation shall be individually or personally liable for the payment of the principal, interest or prepayment premiums, if any, evidenced by the Certificates, 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 1106. California Law. This Trust Indenture shall be construed and governed in accordance with the laws of the State.

Section 1107. Effective Date. This Trust Indenture shall take effect upon its execution.

Section 1108. Execution in Counterparts. This Trust Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[Remainder of this Page is Blank]

#8.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Indenture as of _____ 1, 2019.

MOULTON NIGUEL WATER DISTRICT

By: _____
General Manager

Attest:

Secretary

MOULTON NIGUEL WATER DISTRICT
PUBLIC FACILITIES CORPORATION

By: _____
Treasurer

Attest:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

- Trust Indenture Signature Page -

Registered Number
R- _____

Registered Amount
\$ _____

EXHIBIT A - FORM OF CERTIFICATE

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF ORANGE**

**MOULTON NIGUEL WATER DISTRICT
2019 CERTIFICATES OF PARTICIPATION**

<u>Interest Rate</u>	<u>Date</u>	<u>Maturity Date</u>	<u>CUSIP No.</u>
_____%	_____, 2019	September 1, 20__	

Registered Owner: CEDE & CO.

Principal Amount: \$ _____

THIS IS TO CERTIFY THAT the registered Owner of this Certificate of Participation (“Certificate”), or registered assigns, is the Owner of a fractional undivided interest in the right to receive certain Installment Payments under that certain Installment Sale Agreement (“Installment Sale Agreement”) dated as of _____ 1, 2019, by and between Moulton Niguel Water District Public Facilities Corporation, a California non-profit public benefit corporation (the “Corporation”), and Moulton Niguel Water District, a California water district duly functioning under and by virtue of the California Water District Law, Division 13 of the Water Code of the State of California (the “District”).

The registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the above-specified maturity date, the above-specified principal amount, representing a portion of the Installment Payment designated as principal coming due on such date, unless this Certificate is earlier prepaid as provided herein, and to receive on March 1, 2020, and on each September 1 and March 1 thereafter (“Interest Payment Dates”), to the maturity date or the Prepayment Date, whichever is earlier, the registered Owner’s undivided, fractional share of the Installment Payments designated as interest coming due on such date. Said undivided, fractional share of the Installment Payments designated as interest is the product of the aforesaid portion of Installment Payment designated as principal multiplied by the interest rate set forth above. Said amounts are payable in lawful money of the United States of America. The amounts representing the principal and Prepayment Price of this Certificate shall be payable at the corporate trust office of U.S. Bank National Association together with any successor as trustee under the hereinafter mentioned Trust Indenture (“Trustee”) in St. Paul, Minnesota, and the amounts representing interest with respect to this Certificate shall be payable by check or draft of the Trustee mailed on the Interest Payment Date to the registered Owner at the address

#8.

of the Owner shown on the Certificate Register maintained by the Trustee as of the day fifteen days preceding the Interest Payment Date whether or not such day is a Business Day ("Record Date"). Interest with respect to the Certificates shall be calculated based on a 360-day year of twelve 30-day months. Interest with respect to this Certificate shall be payable from and including the Interest Payment Date next preceding the date of execution of this Certificate unless this Certificate is executed during the period from the close of business on the Record Date to and including an Interest Payment Date, in which event interest with respect hereto shall be payable from and including such Interest Payment Date, or unless this Certificate is executed on or prior to February 15, 2020, in which event interest with respect hereto shall be payable from February 15, 2020; provided, however, that if, at the time of execution of this Certificate, interest is in default or overdue with respect to the Certificates, interest with respect to this Certificate shall be payable from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full. Principal, interest and any premium shall be payable only from the sources provided therefor as described in this Certificate and the Installment Sale Agreement.

This Certificate is one of the Moulton Niguel Water District 2019 Certificates of Participation ("Certificates"), limited to \$_____ in principal amount, executed and delivered under the Trust Indenture dated as of _____ 1, 2019 ("Trust Indenture"), among the District, the Corporation and the Trustee. The terms of the Certificates include those in the Trust Indenture.

The Trust Indenture may be amended and supplemented, and references to it include any amendments and supplements thereto. Subject to certain exceptions, the Trust Indenture, Certificates and the Installment Sale Agreement may be amended or supplemented with the consent of the Owners of a majority in principal amount of the Certificates. Without the consent of any Certificate Owner, the Trustee, the District and Corporation may amend or supplement the Trust Indenture, the Installment Sale Agreement or the Certificates for certain purposes including, but not limited to, substitution of, or addition to, the identified Project, curing any ambiguity, omission, defect or inconsistency or providing for uncertificated Certificates or making any change that does not materially adversely affect the rights of any Certificate Owner.

The Certificates are delivered in the principal sum of \$_____. The District has entered into the Installment Sale Agreement for the purpose of purchasing the Project from the Corporation. The Corporation has assigned its right to receive Installment Payments to the Trustee, pursuant to an assignment agreement between the Corporation and the Trustee and pursuant to the Trust Indenture.

The Installment Payments are payable by District solely from Net Revenues, as that term is defined in the Installment Sale Agreement. The Certificates are payable from the moneys received by the Trustee pursuant to the Installment Sale Agreement and designated for such purpose.

NEITHER THIS CERTIFICATE NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED AS TO PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST WITH RESPECT THERETO, SOLELY BY THE NET REVENUES (AS DEFINED IN THE INSTALLMENT SALE AGREEMENT). NEITHER THIS CERTIFICATE NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS SHALL CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY

POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OR THE DISTRICT.

The Certificates are deliverable as fully registered Certificates in the denomination of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Trust Indenture or Certificates of authorized denomination or denominations, for the same aggregate principal amount and of like maturity will be issued to the transferee in exchange herefor. The Trustee will not be required to transfer or exchange any Certificate (a) during the period beginning 15 days before the selection of Certificates for prepayment and ending on the selection date or (b) if such Certificate has been selected for prepayment in whole or in part.

Owners must surrender Certificates at the corporate trust office of the Trustee in St. Paul, Minnesota to collect principal and prepayment price. Interest will be paid by check mailed by first class mail to each Owner's registered address as shown on the Certificate Register as of the Record Date. Principal, interest and any premium will be paid in money of the United States that at the time of payment is due in legal tender for payment of public and private debts or by check payable in such money. If any payment with respect to the Certificates is due on a non-business day, it will be made on the next business day, and no additional interest will accrue as a result.

Certificates maturing on or before September 1, 20___, shall not be subject to call and prepayment prior to maturity. Certificates maturing on or after September 1, 20___, may be called for prepayment and prepaid before maturity in whole or in part (but not in a total prepayment amount of less than \$5,000) on September 1, 20___ or on any date thereafter as a result of the prepayment of Installment Payments at the option of District (and by lot if only a portion thereof) at par, without premium.

The Certificates maturing on September 1, 20___ and September 1, 20___ are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 20___ and September 1, 20___, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment date, as follows:

\$_____ Certificates Maturing September 1, 20___

<u>Year</u> <u>(September 1)</u>	Principal Amount of Certificates to be <u>Prepaid</u> \$
-------------------------------------	---

#8.**\$ _____ Certificates Maturing September 1, 20 ____**

Year (<u>September 1</u>)	Principal Amount of Certificates to be <u>Prepaid</u> \$
--------------------------------	---

In the event that the Trustee prepays the Certificates maturing on September 1, 20____ or September 1, 20____ in part but not in whole pursuant to a prepayment described in Section 401 of the Trust Indenture, the amount of the Certificates to be prepaid on each prepayment date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

All prepayments will be made in St. Paul, Minnesota, on the Prepayment Date at the applicable Prepayment Prices (including any applicable premium as provided in this Trust Indenture) plus interest accrued to the Prepayment Date.

At least twenty (20) days prior to the Prepayment Date, the Trustee will mail a notice of prepayment by first-class mail to each Certificate Owner at the Owner's registered address. Failure to give any notice of prepayment as to any particular Certificates will not affect the validity of the call for prepayment of any Certificates in respect of which no failure occurs. Any notice mailed as provided in this paragraph will be conclusively presumed to have been given whether or not actually received by the addressee.

When notice of prepayment is given, Certificates called for prepayment become due and payable on the Prepayment Date at the Prepayment Price stated in the notice. When a notice of prepayment is given and funds are deposited with the Trustee sufficient for prepayment, interest with respect to the Certificates to be prepaid ceases to accrue on the Prepayment Date.

The registered Owner of this Certificate may be treated as the Owner of it for all purposes.

If money for the payment of principal, premium or interest remains unclaimed as specified in the Trust Indenture, the Trustee will pay the money to or for the account of District. After that, Owners entitled to the money must look only to District and not to the Trustee for payment unless an applicable abandoned property law designates another person.

If at any time there is deposited with the Trustee money or U.S. Government Obligations sufficient to pay at prepayment or maturity principal and interest with respect to any outstanding Certificates, and if all compensation and expenses of the Trustee have been provided for, the obligations of Corporation and District will be discharged to the extent provided for in the Trust Indenture. After discharge, Certificate Owners must look only to the deposited money and securities for payment. U.S. Government Obligations are securities backed by the full faith and credit of the United States or, to the extent permitted by law, securities or receipts evidencing ownership interests in such full-faith-and-credit securities.

The Trust Indenture provides that the occurrences of certain events constitute Events of Default. The maturity of all of the Installment Payments to be made with respect to the Certificates may be accelerated as provided in the Trust Indenture. An Event of Default and its consequences may be waived or limited as provided in the Trust Indenture. Certificate Owners may not enforce the Trust Indenture or the Certificates except as provided in the Trust Indenture. The Trustee may refuse to enforce the Trust Indenture or the Certificates unless it receives indemnity satisfactory to it. Subject to certain limitations, Owners of a majority in principal amount of the Certificates may direct the Trustee in its exercise of any trust or power.

A member, director, officer or employee, as such, of District or Corporation shall not have any liability for any obligations of District or Corporation under the Certificates, the Installment Payment Agreement or the Trust Indenture or for any claim based on such obligations or their creation. Each Certificate Owner by accepting a Certificate waives and releases all such liability. The waiver and release are part of the consideration for the execution and delivery of the Certificates.

The Trustee has executed this Certificate solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the execution of this Certificate do exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California, and that the amount of the Installment Sale Agreement, together with all other indebtedness of Moulton Niguel Water District, does not exceed any limit prescribed by the Constitution and laws of the State of California, and is not in excess of the amount of Certificates permitted to be executed under this Trust Indenture.

[Remainder of this page blank]

#8.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Indenture.

Date of Execution: _____

U.S. BANK NATIONAL ASSOCIATION
as Trustee:

By: _____
Authorized Signatory

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date of Registration and Authentication: _____

U.S. Bank National Association, Trustee

Authorized Representative

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 Certificate and do(es) irrevocably constitute and appoint _____ 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 Certificate in every particular, without alteration or any change whatever.

Signature Guaranteed:

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

Unless this Certificate 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 Certificate 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.

LEGAL OPINION

I hereby certify that the following is a full true and correct copy of a signed legal opinion of Jones Hall, A Professional Law Corporation, on file in my office, which opinion is dated the date the Certificates referred to therein were delivered and paid for.

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

EXHIBIT B

PAYMENT REQUEST FORM - DELIVERY COSTS FUND

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

() PROGRESS PAYMENT
() FULL/FINAL PAYMENT

The Trustee is hereby requested to pay from the Delivery Costs Fund, as established by Resolution No. _____ of the District, adopted on October ____, 2019, and the Trust Indenture dated as of _____ 1, 2019, 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 Delivery Costs described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Delivery Costs described below and has not formed the basis of any prior request for payment.

Payee: _____

Address: _____

Amount:\$ _____

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

Delivery Cost: _____

Executed by Authorized Representative for Moulton Niguel Water District:

Signature _____
Name: _____
Title: _____

Dated: _____

Payment Request No.: _____

EXHIBIT B

FORM OF PROJECT FUND REQUISITION

U. S. Bank National Association
Attn: Global Corporate Trust
633 West Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071

Re: Requisition No. ____ in Connection with \$_____ Moulton Niguel Water District 2019 Certificates of Participation

Ladies and Gentlemen:

In accordance with the terms of a Trust Indenture, by and among you, the Moulton Niguel Water District and the Moulton Niguel Water District Public Facilities Corporation, dated as of _____ 1, 2019 (the "Trust Indenture"), I am a District Representative and you are hereby authorized and requested to make immediate disbursement of funds held by you in the Project Fund for Project Costs relating to the Project (as such terms are defined in the Trust Indenture) pursuant to Section 503 of the Trust Indenture. In connection therewith, this requisition:

You are hereby requested to pay from the Project Fund to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the costs described on said Schedule. **Invoices substantiating any amounts requested herein are attached.**

The undersigned hereby certifies that: (i) the amounts listed on Schedule A constitute Project Costs (as defined in the Trust Indenture); (ii) the amounts to be disbursed constitute Project Costs; (iii) the amounts to be disbursed are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the District, or were necessarily and reasonably incurred; (iv) the amounts are not being paid in advance of the time, if any, fixed for payment; and (v) no amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the Trustee pursuant to Section 503 of the Trust Indenture.

Dated: _____, 20____.

MOULTON NIGUEL WATER DISTRICT

By: _____
District Representative

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SCHEDULE A

Payee
(include address)

Description
of Costs

Project Costs
Amount

SCHEDULE B

[Invoices Attached.]

\$ _____ *

**Moulton Niguel Water District
2019 Certificates of Participation**

OFFICIAL NOTICE OF SALE

NOTICE IS HEREBY GIVEN that electronically submitted proposals will be received by Moulton Niguel Water District (the "**District**") on

[Wednesday, November 6], 2019,

at the hour of 8:00 a.m., California time, for the purchase of the certificates of participation captioned above (the "Certificates") to be executed and delivered under a Trust Indenture dated as of November 1, 2019 (the "Trust Indenture"), by and among the District, the Moulton Niguel Water District Public Facilities Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee").

The District reserves the right to postpone the public sale of the Certificates to a later date or different time by announcing such postponement via Parity (the "**News Service**") any time prior to the time bids are to be received. If no legal bid or bids are received for the Certificates on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Certificates on such other date and at such other time as shall be designated through the News Service. Potential bidders will be notified via the News Service not later than 1:00 p.m. (California time) on the day prior to the date bids are to be received of any change to the principal payment schedule for the Certificates to be utilized for the bidding process. As an accommodation to bidders, telephonic, telecopied or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder that has requested such notice from the District's Municipal Advisor:

PFM Financial Advisors LLC
1820 East Ray Road
Chandler, AZ 85249
Attn.: Darren Hodge (Phone: (480) 318-1284)

Failure of any bidder to receive such telephonic, telecopied or emailed notice shall not affect the legality of the sale.

Bidders are referred to the Preliminary Official Statement dated October [29], 2019 (the "**Preliminary Official Statement**"), for additional information regarding the District, the Corporation, the Certificates and the security therefor, the use of proceeds of the Certificates and other matters. See "**TERMS OF SALE – OFFICIAL STATEMENT**" below.

* Preliminary, subject to change.

TERMS RELATING TO THE CERTIFICATES

Important Note: This notice will be submitted to i-Deal LLC (“i-Deal”) for posting at the Thompson Municipal Market Monitor (www.TM3.com) website and in the Parity bid delivery system. In the event i-Deal’s summary of the terms of sale of the Certificates disagrees with this Official Notice of Sale in any particulars, the terms of this Official Notice of Sale (as amended, if necessary with notice of any amendment hereto to be given as described above) shall control.

SERIES: \$_____ * aggregate principal amount of Certificates are being executed and delivered as fully registered Certificates in denominations of \$5,000 or multiples thereof, provided that no Certificate shall represent principal maturing on more than one maturity date, all dated the date of delivery thereof. The Certificates are the only series to be executed and delivered under the Trust Indenture.

DELIVERY AND PAYMENT: Delivery of the Certificates will be made to the Purchaser through DTC and is expected to occur on November [20], 2019 (the “**Closing Date**”). Payment for the Certificates must be made in immediately available funds. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the Purchaser.

INTEREST RATE; PREMIUM OR DISCOUNT BIDS: Interest is payable on [March 1, 2020] and semiannually thereafter on September 1 and March 1 of each year. Bidders must specify the rate or rates of interest that the Certificates hereby offered for sale shall bear and an aggregate purchase price. Bidders will be permitted to bid different rates of interest; but:

(i) each interest rate specified in any bid must be in a multiple of one-eighth or one-twentieth of one percent per annum and a zero rate of interest cannot be specified;

(ii) no Certificate may bear more than one rate of interest;

(iii) the weighted average interest rate shall result in a true interest cost not to exceed 4.25% per annum;

(iv) each Certificate shall bear interest from its dated date to its stated payment date at the interest rate specified in the bid; and

(v) premium bids must be paid as part of the purchase price, and no bid will be accepted which contemplates the waiver of any interest or other concession by the bidder as substitute for payment in full of the purchase price.

Bidders may not bid a price of less than 100% of the aggregate principal amount of the Certificates. Bids that do not conform to the terms of this section may be rejected. See “**TERMS OF SALE – RIGHT OF REJECTION**” below. The District reserves the right to modify or amend the terms of the sale prior to the time bids are received and to waive any irregularity in bids received.

BOOK-ENTRY ONLY: The Certificates shall be executed and delivered in registered form by means of a book-entry system with no distribution of the Certificates made to the public. One

* Preliminary, subject to change.

Certificate representing each Certificate maturity date and interest rate will be executed and delivered to The Depository Trust Company (“DTC”), registered in the name of Cede & Co., its nominee. The book-entry system will evidence ownership of the Certificates in the principal amount of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC.

PAYMENT OF DTC FEES: The District will submit or cause to be submitted all requisite documents to DTC for DTC-eligibility purposes. However, the successful bidder (the “Purchaser”) will be responsible for payment of all fees charged by DTC.

MATURITY*: The Certificates shall mature on September 1 in each of the years, and in the amounts, indicated below.

Year (September 1)	Amount*
_____	_____

Total	<u> <u> \$ _____ </u> </u>
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ADJUSTMENT OF PRINCIPAL PAYMENTS: The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the District with respect to the likely interest rates of the winning bid and the premium and underwriting discount contained in the winning bid. Potential bidders will be notified via the News Service not later than 1:00 p.m. (California time) on

* Preliminary, subject to change.

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the business day prior to the date bids are to be received of any change to the principal payment schedule for the Certificates to be utilized for the bidding process. The final maturity schedule will be designed so that the financing objectives of the District will be met. The District reserves the right to increase or decrease the aggregate principal amount of the Certificates following the submission of the bids. Each principal payment is subject to increase or decrease in \$5,000 increments, without limitation.

The Purchaser may not withdraw its bid or change its interest rates bid as a result of any changes made to the principal amounts. Subsequent to the adjustment of principal payments, the dollar amount of the purchase price will be changed so that the net compensation to the Purchaser (expressed as a percentage of the aggregate principal amount of Certificates) does not increase or decrease from what it would have been if no adjustment had been made to the principal amounts, taking into consideration the reoffering yields for the different maturities.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all the Certificates be executed and delivered as Serial Certificates or may provide that any one or more consecutive annual principal amounts be combined into one or more Term Certificates.

OPTIONAL PREPAYMENT^{*}: Certificates maturing on or before September 1, 2029, will not be subject to optional prepayment prior to maturity. Certificates maturing on or after September 1, 2030, may be prepaid before maturity in whole or in part (but not in a total prepayment amount of less than \$5,000) on March 1, 2029, or on any date thereafter (“**Prepayment Date**”) as a result of the prepayment of Installment Payments (as described in the Preliminary Official Statement), at a price equal to the principal amount thereof together with accrued interest thereon to the Prepayment Date without premium.

REOFFERING PRICE CERTIFICATE AND ESTABLISHMENT OF ISSUE PRICE: Upon notification that it has submitted the winning bid, the Purchaser shall provide the initial offering prices at which it has offered or reasonably expects to offer all of the Certificates of each maturity to the general public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering.

Prior to delivery of the Certificates, the Purchaser shall be required to provide to the District a reoffering price certification in form and substance similar to either the certificate attached as Appendix A to the Official Bid Form, the certificate attached as Appendix B to the Official Bid Form, or the certificate attached as Appendix C to the Official Bid Form. In addition, based on reasonable requests of Special Counsel, the Purchaser will provide information regarding its sales of the Certificates. For purposes of this paragraph, sales of the Certificates to other securities brokers or dealers will not be considered sales to the general public.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the “**competitive sale requirements**”) because:

- (1) the District shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;

^{*} Preliminary, subject to change.

(3) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest overall true interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) If the competitive sale requirements are not satisfied, the District shall so advise the Purchaser. In such event, the District shall treat the first price at which 10% of a maturity of the Certificates (the “**10% test**”) is sold to the public as the issue price of that maturity unless the Purchaser has elected on the bid form to apply the “hold-the-offering price rule,” as described below, in which case the initial offering price to the public as of the sale date of any maturity of the Certificates will be treated as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (or CUSIP-by-CUSIP in the case of Certificates with similar maturities but different coupons or prices). If the competitive sale requirements are not satisfied, the Purchaser shall advise the District if any maturity of the Certificates satisfies the 10% test as of the date and time of the award of the Certificates, and if the Purchaser has elected to apply the hold-the-offering-price rule, the Purchaser shall notify the District, within one hour of the time of award of the Certificates, which maturities of the Certificates satisfy the 10% test and which maturities shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation if the competitive sale requirements are not satisfied.

(d) By submitting a bid, the Purchaser confirms that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in the bid submitted by the Purchaser, and if the Purchaser has elected to use the hold-the-offering-price rule, the Purchaser agrees, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Purchaser shall promptly advise the District when the underwriters have sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth business day after the sale date.

(e) If the competitive sale requirements are not satisfied, and the Purchaser does not elect to use the hold-the-offering-price rule, then until the 10% test has been satisfied as to each maturity of the Certificates, the Purchaser agrees to promptly report to the District the prices at which such unsold Certificates of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has

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been satisfied as to the Certificates of that maturity or until all Certificates of that maturity have been sold.

(f) The District acknowledges that, if the Purchaser has elected to use the hold-the-offering-price rule, in making the representation set forth above, the Purchaser will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) if a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(g) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Purchaser that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Purchaser and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Purchaser or such underwriter that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Purchaser or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Certificates to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) “**public**” means any person other than an underwriter or a related party,

(ii) “**underwriter**” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public),

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

(iv) “**sale date**” means the date that the Certificates are awarded by the District to the Purchaser.

SECURITY: The Certificates are payable from, and are secured by a pledge of Installment Payments payable to the Corporation by the District pursuant to an Installment Sale Agreement, dated as of November 1, 2019, and assigned by the Corporation to the Trustee pursuant to an Assignment Agreement, dated as of November 1, 2019, for the benefit of the owners of the Certificates. The Installment Payments are secured by a first pledge, charge and lien upon first, the Tax Revenues, and second, the Net Revenues (in each case, as described in the Preliminary Official Statement).

TAX-EXEMPT STATUS: In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates 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. In the further opinion of Special Counsel, the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation by the State of California. Bidders are referred to the Preliminary Official Statement for a description of the proposed opinion of Special Counsel.

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 (the “Tax Code”) that must be satisfied subsequent to the execution and delivery of the Certificates in order that such the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates be, or continue to be, excluded from gross income for federal income tax purposes. The District will covenant 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 execution and delivery of the Certificates.

TERMS OF SALE

BEST BID: Unless all bids with respect to the Certificates are rejected, as described below under “—RIGHT OF REJECTION,” the Certificates will be awarded to the responsible bidder whose bid represents the lowest true interest cost (“**TIC**”) to the District with respect to the Certificates prior to any change to the principal payment schedule in accordance with this Official Notice of Sale; provided such TIC does not exceed 4.25%. The TIC will be that nominal annual interest rate which, when compounded semiannually using a 360-day year and used to discount to the dated date of the Certificates all payments of principal and interest payable with respect to the Certificates, results in an amount equal to the purchase price of the Certificates to be received by the District. The cost of preparing the Certificates will be borne by the District.

The interest used in this computation will be the interest rates stated in the bid.

If two or more bidders offer bids for the Certificates at the same lowest TIC, the District will determine by lot which bidder will be awarded the Certificates. Bid evaluations or rankings made by Parity are not binding on the District.

RIGHT OF REJECTION: The District reserves the right, in its discretion, to reject any and all proposals and to waive any irregularity or informality in any proposals. The District retains absolute discretion to determine whether any bid is timely, complete or legible. The District takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or not received.

PROMPT AWARD: The District will take action awarding the Certificates or rejecting all bids not later than 36 hours after the expiration of the time herein prescribed for the receipt of proposals unless such time of award is waived by the Purchaser. Notice of the award will be given promptly to the Purchaser.

QUALIFICATION FOR SALE; BLUE SKY: The Purchaser will assume responsibility for taking any action necessary to qualify the Certificates for offer and sale in jurisdictions other than California, and for complying with the laws of all jurisdictions on resale of the Certificates.

Compliance with Blue Sky laws shall be the sole responsibility of the Purchaser, and the Purchaser shall pay all fees and disbursements related to the qualification of the Certificates for sale under the securities or Blue Sky laws of various jurisdictions. The District will furnish such information and take such action not inconsistent with law as the Purchaser may request and the District shall deem necessary or appropriate to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided, however*, that the District shall not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction.

The Purchaser will not offer to sell, or solicit any offer to buy, the Certificates in any jurisdiction where it is unlawful for such Purchaser to make such offer, solicitation or sale, and the Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which the Purchaser sells the Certificates.

RIGHT OF CANCELLATION: The Purchaser shall have the right, at its option, to cancel the contract of purchase if the District fails to cause the Certificates to be executed and delivered

within 60 days from the date of sale thereof, and in such event, the Purchaser shall be entitled to the return of the deposit accompanying its bid.

FORM OF BID: No bid will be accepted for less than all of the Certificates or for a purchase price less than the aggregate principal amount of the Certificates. All bids must be unconditional. Each bid must be delivered by electronic transmission as described below and be received by 8:00 a.m., California time, on [November 6], 2019 (subject to the limitations set forth under the heading “**TERMS OF SALE – WARNINGS REGARDING ELECTRONIC BIDS**” immediately below). Each bid must be in accordance with the terms and conditions set forth in this Official Notice of Sale, and may be submitted on the attached Bid Form. All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.

ELECTRONIC BIDS: Solely as an accommodation to bidders, the District will receive bids delivered electronically through the following service (the “**Bid Service**” or “**Parity**”).

Parity/iDeal
BiDCOMP Competitive Bidding System and Parity Electronic Bid
Submission System
1359 Broadway, 2nd Floor
New York, NY 10018
Phone: (212) 849-5021
Fax: (212) 989-9281
Internet address: <http://www.newissuehome.i-deal.com>

If any provision of this Official Notice of Sale conflicts with information provided by the Bid Service, this Official Notice of Sale shall control. Each bidder submitting an electronic bid agrees by doing so that it is solely responsible for all arrangements with (including any charges by) the Bid Service, that the District does not endorse or encourage the use of the Bid Service, and that the Bid Service is not acting as an agent of the District. Instructions for submitting electronic bids must be obtained from the Bid Service, and the District does not assume any responsibility for ensuring or verifying bidder compliance with the Bid Service’s procedures. The District shall be entitled to assume that any bid received via the Bid Services has been made by a duly authorized agent of the bidder.

If a bidder submits an electronic bid for the Certificates, such bidder thereby agrees to the following terms and conditions:

(i) If any provision in this Official Notice of Sale with respect to the Certificates conflicts with information or terms provided or required by the Bid Service, this Official Notice of Sale, including any amendments issued through the News Service, shall control;

(ii) each bidder shall be solely responsible for making necessary arrangements to access the Bid Service for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale;

(iii) the District shall not have any duty or obligation to provide or assure access to the Bid Service to any bidder, and the District shall not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of the Bid Service or any incomplete, inaccurate or untimely bid submitted by any bidder through the Bid Service;

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(iv) the District is using the Bid Service as a communication mechanism, and not as an agent of the District, to conduct the electronic bidding for the Certificates;

(v) the Bid Service is acting as an independent contractor, and is not acting for or on behalf of the District;

(vi) the District is not responsible for ensuring or verifying bidder compliance with any procedures established by the Bid Service;

(vii) the District may regard the electronic transmission of a bid through the Bid Service (including information regarding the purchase price for the Certificates and interest rates for any maturity of the Certificates) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory;

(viii) if the bidder's bid is accepted by the District, the Official Bid Form, this Official Notice of Sale and the information that is transmitted electronically through the Bid Service shall form a contract, and the bidder shall be bound by the terms of such contract; and

(ix) information provided by the Bid Service to bidders shall form no part of any bid or any contract between the Purchaser and the District unless that information is included in this Official Notice of Sale provided by the District.

WARNINGS REGARDING ELECTRONIC BIDS: THE DISTRICT WILL ACCEPT BIDS IN ELECTRONIC FORM SOLELY THROUGH PARITY ON THE OFFICIAL BID FORM CREATED FOR SUCH PURPOSE. EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH PARITY, THAT THE DISTRICT NEITHER ENDORSES NOR EXPLICITLY ENCOURAGES THE USE OF PARITY AND THAT PARITY IS NOT ACTING AS AN AGENT OF THE DISTRICT. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM PARITY, AND THE DISTRICT ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF PARITY. THE DISTRICT SHALL ASSUME THAT ANY BID RECEIVED THROUGH PARITY HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE DISTRICT WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER, THE DISTRICT, THE MUNICIPAL ADVISOR AND SPECIAL COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE DISTRICT AT THE PLACE OF BID OPENING AND THE DISTRICT SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY PARITY AS THE OFFICIAL TIME. THE DISTRICT ASSUMES NO RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE DEADLINE FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE OR NOT RECEIVED.

GOOD FAITH DEPOSIT: A Good Faith Deposit ("**Deposit**") in the form of a certified or cashier's check or a wire transfer in the amount of \$[680,000] payable to the order of the District, must be provided by the Purchaser not later than 3:30 p.m., California time, on the day of the award, as a guaranty that the Purchaser will accept and pay for the Certificates in accordance with the terms of the bid. If the Deposit is made by wire transfer, such wire transfer must be in immediately available funds and to the account at the wire address specified by the District to the

Purchaser. The Deposit will be applied to the purchase price of the Certificates. If after the award of the Certificates the Purchaser fails to complete its purchase on the terms stated in its proposal, the Deposit will be retained by the District. No interest on the Deposit will accrue to any bidder.

STATEMENT OF TRUE INTEREST COST; REOFFERING YIELDS: Each bidder is requested, but not required, to state in its bid the percentage true interest cost to the District, which shall be considered as informative only and not binding on either the bidder or the District. The accepted bidder shall submit a Reoffering Price Certificate in the form attached as Appendix A to the Official Bid Form or in the form attached as Appendix B to the Official Bid Form, all as described under **“TERMS RELATING TO THE CERTIFICATES – REOFFERING PRICE CERTIFICATE AND ESTABLISHMENT OF ISSUE PRICE”** herein.

NO LITIGATION: There is no litigation pending concerning the validity of the Certificates, the existence of the Corporation or the District or the entitlement of the officers thereof to their respective offices, and the Corporation and the District will each furnish to the Purchaser a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the Certificates.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the Certificates, but neither failure to print such numbers on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Official Notice of Sale. The Municipal Advisor will apply for the CUSIP numbers and all expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid for by the District; **provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the Purchaser.**

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEE: Attention of bidders is directed to California Government Code Section 8856, which provides that the lead underwriter or the purchaser of the Certificates will be charged the California Debt and Investment Advisory Commission fee.

OFFICIAL STATEMENT: A Preliminary Official Statement has been prepared, copies of which may be obtained upon request made to the District’s Municipal Advisor, PFM Financial Advisors LLC, using the contact information set forth above. The Preliminary Official Statement shall be “deemed final” by the District prior to the sale date for purposes of Securities Exchange Commission Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. A copy of the certificate executed by the District indicating that the Preliminary Official Statement has been deemed final as of its date will be provided to potential bidders upon request to the Municipal Advisor. The District will certify that as of the date of the final Official Statement, to the best of its knowledge, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. The District will deliver to the Purchaser a certificate of the District as to the above, dated the date of delivery of the Certificates, authorizing the Purchaser to distribute copies of the Official Statement in connection with the resale of the Certificates. The District will furnish to the Purchaser, at no expense to the Purchaser, an electronic copy of the Official Statement and, upon request, up to 50 printed copies of the Official Statement within 7 business days of the award date. Additional copies will be made available upon request, submitted to the Municipal Advisor no later than twenty-four hours after the time of receipt of bids, at the Purchaser’s expense, for use in connection with any resale of the Certificates.

#8.

By making a bid for the Certificates, the Purchaser agrees (i) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements prepared by the District, (ii) to promptly file a copy of the final Official Statement, including any supplements prepared by the District, with the Municipal Securities Rulemaking Board (“**MSRB**”), and (iii) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and MSRB rules governing the offering, sale and delivery of the Certificates to the ultimate purchasers.

CONTINUING DISCLOSURE: In order to assist bidders in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”), the District will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information relating to the District and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. See “**CONTINUING DISCLOSURE**” and “**Appendix E – FORM OF CONTINUING DISCLOSURE CERTIFICATE**” in the Preliminary Official Statement.

RIGHT TO MODIFY OR AMEND: The District reserves the right to modify or amend this Official Notice of Sale in any respect; provided, however, that any such modification or amendment shall be made not later than 1:00 p.m. (California time) on the day prior to the date bids are to be received and shall be communicated to potential bidders through the News Service. Failure of any bidder to receive notice of any modification shall not affect the sufficiency of any such notice.

Dated: [October 29], 2019

Joone Lopez
General Manager
Moulton Niguel Water District

#8.

OFFICIAL BID FORM
\$ _____*
Moulton Niguel Water District
2019 Certificates of Participation

TO: MOULTON NIGUEL WATER DISTRICT

BIDDING FIRM'S NAME: _____

DATE: _____, 2019

As provided in the Official Notice of Sale dated _____, 2019, with regard to this financing, we offer to purchase all \$_____ * aggregate principal amount of the Certificates of Participation captioned above ("Certificates"), more particularly described in Preliminary Official Statement dated _____, 2019. We hereby agree to pay \$_____ which is not less than \$_____ * or 100% of par for the Certificates with principal and interest to be payable in the amounts and at the interest rates set forth below. The Purchase Price equals the principal amount of the Certificates (\$_____*) [plus a Premium of \$_____] [minus a Discount of \$_____].

Schedule of Maturity Dates, Principal Amounts**, and Interest Rates

(Check One)

Table with 5 columns: Maturity Date (September 1), Principal* Amount (\$), Serial** Maturity, Mandatory** Sinking Fund Prepayment (\$), Interest Rate (%). The table contains multiple rows of blank lines for data entry.

* Subject to adjustment as described under "ADJUSTMENT OF PRINCIPAL PAYMENTS."

** Place a check in the appropriate column indicating whether the principal component is a serial maturity or mandatory sinking fund prepayment. Circle the final maturity of each term Certificate specified.

Our calculation of the true interest cost (determined as described in the section of the Official Notice of Sale entitled "**Best Bid**"), which is considered to be informative only and not a part of the proposal, is as follows: The total amount of interest payable on the Certificates during the life of the issue under the attached bid is \$ _____. The amount of premium is \$ _____. The true interest cost is _____%.

Check One:

- _____ There is enclosed herewith a (certified) (cashier's) check for \$[680,000] payable to the order of the Moulton Niguel Water District.
- _____ We agree to provide a wire transfer not later than 3:30 p.m., California time, on the day of the award, in the amount of \$[680,000] in immediately available funds to the account at the wire address specified by the District to us.

If the competitive sale requirements are not met and 10% of any maturity of the Certificates are not sold at the initial offering price on the Sale Date, the bidder hereby indicates its preference that the District determine the issue price of any such maturity using the rule marked below, each as described in the Official Notice of Sale under the caption "Reoffering Price Certificate and Establishment of Issue Price":

- _____ The 10% test
- _____ The hold-the-offering-price rule

If the competitive sale requirements are not met, and the bidder elects to use the hold-the-offering-price rule, the winning bidder shall notify the District, within one hour of the District's acceptance of the bid, which maturities of the Certificates satisfy the 10% test and which maturities shall be subject to the hold-the-offering-price rule.

We agree that if we are the successful bidder for the Certificates we will provide the District with a Final Reoffering Price Certificate in the form attached as Appendix A, Appendix B or Appendix C hereto.

We hereby represent that as of the date of award and as of the date of delivery of the Certificates, all members of our account either participate in DTC or clear through or maintain a custodial relationship with an entity that participates in said depository.

#8.

Following is a list of the members of our account on whose behalf this bid is made.

List of Members of Account:

- .
- .
- .
- .
- .
- .
- .
- .

Respectfully submitted,

Firm: _____
Account Manager

By: _____

Printed Name: _____

Title: _____

Address: _____

- .
- .
- .
- .

Telephone No.: _____

Fax No.: _____

Email: _____

**APPENDIX A TO OFFICIAL BID FORM
FORM OF REOFFERING PRICE CERTIFICATE***

TO BE DELIVERED IF COMPETITIVE SALE REQUIREMENTS ARE MET (I.E., THREE BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED)

\$ _____
**Moulton Niguel Water District
2019 Certificates of Participation**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Certificates”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Certificates to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule 1 (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Certificates used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Certificates. Attached as Schedule 1 is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Certificates.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Certificates.

2. Defined Terms.

(a) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is [DATE].

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

#8.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [**SHORT NAME OF UNDERWRITER**]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

Dated: [**ISSUE DATE**]

[**UNDERWRITER**]

By: _____
Name and Title

**SCHEDULE 1
BIDDING DOCUMENTATION AND INITIAL OFFERING PRICES**

**APPENDIX B TO OFFICIAL BID FORM
FORM OF REOFFERING PRICE CERTIFICATE**

TO BE DELIVERED IF COMPETITIVE SALE REQUIREMENTS ARE NOT MET (3
COMPETITIVE BIDS ARE NOT RECEIVED) AND 10% TEST IS USED FOR ISSUE PRICE

\$ _____
**Moulton Niguel Water District
2019 Certificates of Participation**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”][the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Certificates”).

1. **Sale of the General Rule Maturities.** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule 1 (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule 1.

(b) As set forth in the Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “**hold-the-offering-price rule**”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

3. **Defined Terms.**

(a) *General Rule Maturities* means those Maturities of the Certificates listed in Schedule 1 hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Certificates listed in Schedule 1 hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Moulton Niguel Water District, California.

(e) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is [DATE].

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificates as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, A Professional Law Corporation, in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

Dated: [ISSUE DATE]

[UNDERWRITER]

By: _____
Name and Title

#8.

SCHEDULE 1

LISTING OF 10% TEST, UNDERSOLD MATURITIES AND PRICING WIRE

**APPENDIX C TO OFFICIAL BID FORM
FORM OF REOFFERING PRICE CERTIFICATE**

TO BE DELIVERED IF COMPETITIVE SALE REQUIREMENTS ARE NOT MET (3
COMPETITIVE BIDS ARE NOT RECEIVED) AND PURCHASER ELECTS TO USE HOLD-THE-
OFFERING-PRICE FOR ISSUE PRICE

\$ _____
**Moulton Niguel Water District
2019 Certificates of Participation**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”][the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Certificates”).

1. ***Initial Offering Price of the Certificates.***

(a) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered each Maturity of the Certificates to the Public for purchase at the respective initial offering prices listed in Schedule 1 (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule 1.

(b) As set forth in the Official Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Certificates, [it][they] would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Certificates at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

2. ***Defined Terms.***

(a) *Holding Period* means, for each Maturity of the Certificates, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which [SHORT NAME OF THE UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Maturity of the Certificates to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) *Issuer* means Moulton Niguel Water District, California.

(c) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

#8.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is [DATE].

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, A Professional Law Corporation, in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

Dated: [ISSUE DATE]

[UNDERWRITER]

By: _____
Name and Title

SCHEDULE 1
LISTING OF HOLD-THE-PRICE MATURITIES, INITIAL OFFERING PRICES AND
PRICING WIRE

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2019

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:
S&P Rating: “___”
Fitch Rating: “___”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates 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. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____*
**MOULTON NIGUEL WATER DISTRICT
2019 CERTIFICATES OF PARTICIPATION**

Dated: Date of Delivery

Due: September 1, as shown below

The captioned certificates (the “Certificates”) evidence direct, undivided and proportionate interests of the Owners thereof in certain installment payments (the “Installment Payments”) to be made by the Moulton Niguel Water District (the “District”) pursuant to an Installment Sale Agreement, dated as of _____ 1, 2019 (the “Installment Sale Agreement”), between the District and the Moulton Niguel Water District Public Facilities Corporation (the “Corporation”). The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to U.S. Bank National Association, as trustee (the “Trustee”).

The Certificates are being issued to: (i) finance the acquisition and construction of certain capital improvements as described herein and (ii) pay the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

The Certificates will be delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Certificates. Interest on the Certificates is payable on March 1 and September 1 of each year, commencing March 1, 2020, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates.

The Certificates are subject to redemption prior to maturity. See “THE CERTIFICATES – Prepayment.”

The District’s obligation to make Installment Payments is a special obligation of the District payable and secured exclusively from Net Revenues (as defined in this Official Statement) of the District under the Installment Sale Agreement and from amounts on deposit in certain funds and accounts established under the Trust Indenture (as defined in this Official Statement). The District previously incurred a number of obligations that are outstanding and that are payable on a parity basis with the Installment Payments. In addition, under the Installment Sale Agreement, the District may incur additional debt secured by Net Revenues on a parity with the Installment Payments, provided that the conditions set forth in the Installment Sale Agreement are met. See “RISK FACTORS” and “SECURITY FOR THE CERTIFICATES – Parity Obligations.”

THE INSTALLMENT PAYMENTS ARE PAYABLE SOLELY FROM NET REVENUES PLEDGED BY THE DISTRICT AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE TRUST INDENTURE. This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Certificates. Investors should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE
(See inside cover)

The Certificates will be sold and awarded pursuant to a competitive bidding process to be held on _____, 2019, as set forth in the Official Notice of Sale. The Certificates are offered when, as and if executed and delivered, are subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, and are 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 and the Corporation by Best Best & Krieger LLP, Irvine, California, as general counsel. It is anticipated that the Certificates will be available for delivery in book-entry form on or about _____, 2019.

The date of this Official Statement is: _____, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

#8.

MATURITY SCHEDULE

\$ _____*
MOULTON NIGUEL WATER DISTRICT
2019 Certificates of Participation

Base CUSIP†: _____

<u>Maturity</u> (September 1)	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>
	\$	%	%		

\$ _____ % Term Certificate Due September 1, 20__; Yield: _____%; Price: _____%; CUSIP†:

\$ _____ % Term Certificate Due September 1, 20__; Yield: _____%; Price: _____%; CUSIP†:

**Preliminary, subject to change.*

† Copyright 2019, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Purchaser assumes any responsibility for the accuracy of these CUSIP data.

C: Priced to first optional prepayment date of _____, 20__, at par.

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 Certificates 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 Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Certificates 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 Certificates.

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 Purchaser has provided the following sentence for inclusion in this Official Statement: The Purchaser 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 Purchaser does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Trust 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.

Certificates are Exempt from Securities Laws Registration. The execution and delivery of the Certificates has 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.

Stabilization of Prices. In connection with this offering, the Purchaser may over allot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Purchaser may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Purchaser.

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 DISTRICT 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 a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

MOULTON NIGUEL WATER DISTRICT

District and Corporation Board of Directors

Brian S. Probolsky, *President/Corporation Board Vice President*
Duane D. Cave, *Vice-President/Corporation Board President*
Donald R. Froelich, *Vice-President*
Richard S. Fiore, *Director*
Kelly A. Jennings, *Director*
Gary R. Kurtz, *Director*
William "Bill" Moorhead, *Director*

District Staff

Joone Lopez, *General Manager*
Matt Collings, *Assistant General Manager*
Drew Atwater, *Director of Finance and Water Resources*
Trevor Agrelius, *Controller*
Johnathan Cruz, *Financial Planning Manager*

District Counsel

Best Best & Krieger LLP
Irvine, California

Special Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

PFM Financial Advisors LLC
Los Angeles, California

Trustee

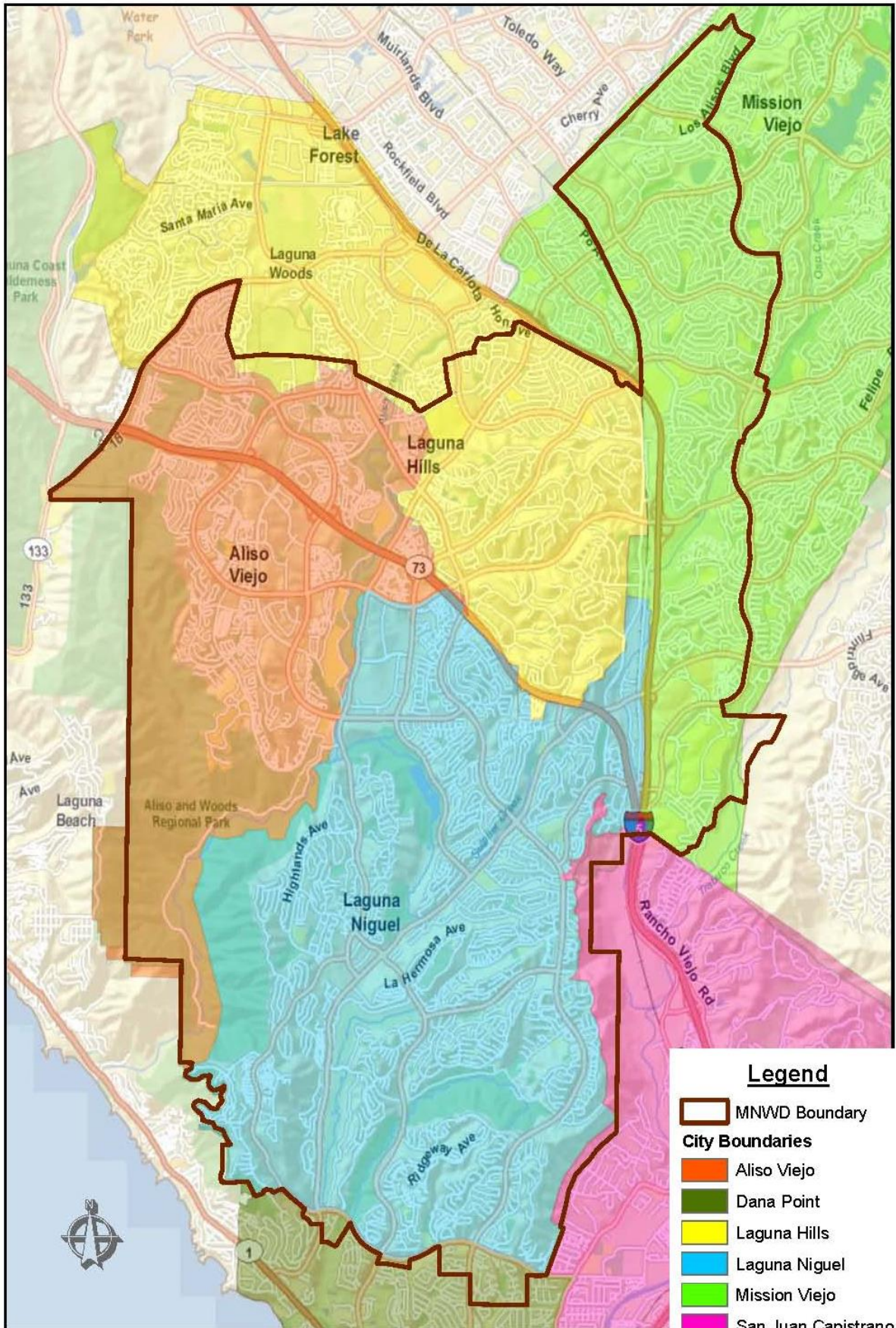
U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$ _____ *

**MOULTON NIGUEL WATER DISTRICT
2019 Certificates of Participation**

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided to furnish information concerning the execution and delivery by the Moulton Niguel Water District (the “District”) of its 2019 Certificates of Participation (the “Certificates”). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

The Certificates. The Certificates are being executed and delivered pursuant to the provisions of a Trust Indenture, dated as of _____ 1, 2019 (the “Trust Indenture”), among the District, the Moulton Niguel Water District Public Facilities Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”).

Prepayment. The Certificates are subject to prepayment prior to their scheduled payment dates as described in this Official Statement. See “THE CERTIFICATES – Prepayment.”

Security for the Certificates. The Certificates evidence direct, undivided and proportionate interests in certain installment payments (the “Installment Payments”), to be made by the District pursuant to an Installment Sale Agreement, dated as of _____ 1, 2019 (the “Installment Sale Agreement”), between the District and the Corporation. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to the Trustee pursuant to an Assignment Agreement, dated as of _____ 1, 2019, by and between the Corporation and the Trustee (the “Assignment Agreement”).

The payment of Installment Payments is secured by a pledge of and lien on the Net Revenues (as defined in this Official Statement). See “SECURITY FOR THE CERTIFICATES – Security of Installment Payments.”

Use of Proceeds. The proceeds of the Certificates will be used to: (i) finance the acquisition and construction of certain water, wastewater, and recycled water facilities and

* Preliminary, subject to change.

improvements of the District and (ii) pay the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

Rate Covenant. Pursuant to the Installment Sale Agreement, the District has covenanted, to the maximum extent permitted by law, to fix, prescribe and collect certain rates and charges related to the District’s water, recycled water and wastewater systems (the “**Systems**”) in order to ensure the availability of Net Revenues to pay the Installment Payments and any Parity Obligations (as hereinafter defined). See “SECURITY FOR THE CERTIFICATES – Rate Covenant.”

Prepayment of Prior Obligations. On October 4, 2019, the District prepaid in full two previously outstanding obligations: (i) the District’s obligation to make installment payments under California Infrastructure Development Bank (CIEDB) Enterprise Fund Installment Sale Agreements 01-020 and 02-026 (the “**CIEDB Agreements**”) with the California Infrastructure and Economic Development Bank and (ii) State Water Resources Control Board Loan No. C-06-4150-120 to the District (the “**Prior Governmental Loan**”). These prepayments triggered an automatic transfer of amounts on deposit in a debt service reserve fund established under the 2019 Indenture (defined below). See “– Prior Parity Obligations” below and “HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Projected Debt Service Coverage.”

Prior Parity Obligations. The District’s pledge of Net Revenues to the Installment Payments is on a parity with the District’s pledge of Net Revenues to the following outstanding obligations (the “**Prior Parity Obligations**”):

- (i) 2015 Revenue Refunding Bonds. The District’s Moulton Niguel Water District 2015 Revenue Refunding Bonds issued in the original aggregate principal amount of \$12,265,000 (the “**2015 Bonds**”), issued pursuant to an Indenture of Trust dated as of June 1, 2015 (the “**2015 Indenture**”). The 2015 Bond proceeds were used to refinance an installment payment obligation of the District incurred in 2003. As of September 2, 2019, the 2015 Bonds were outstanding in the aggregate principal amount of \$8,565,000. The 2015 Bonds are also secured by pledge and lien on amounts on deposit in a debt service reserve fund (the “**2015 Bonds Reserve Fund**”) established and held under the 2015 Indenture. *Amounts on deposit in the 2015 Bonds Reserve Fund are not available to pay the Installment Payments or any other Parity Obligations other than the 2015 Bonds.*
- (ii) 2019 Revenue Refunding Bonds. The District’s Moulton Niguel Water District 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000 (the “**2019 Bonds**”), pursuant to an Indenture of Trust dated as of March 1, 2019 (the “**2019 Indenture**”). The 2019 Bond proceeds were used to refinance an installment payment obligation of the District incurred in 2009. As of September 2, 2019, the 2019 Bonds were outstanding in the aggregate principal amount of \$48,605,000. The 2019 Bonds were previously also secured by a pledge and lien on amounts on deposit in a debt service reserve fund (the “**2019 Bonds Reserve Fund**”) established and held under the 2019 Indenture. Under the terms of the 2019 Indenture, the District’s prepayment on October 4, 2019, of the CIEDB Agreements and the Prior Governmental Loan triggered the automatic transfer of amounts previously on deposit in the 2019 Bonds Reserve Fund totaling approximately \$_____ to the debt service fund established and held by the trustee of the 2019 Bonds under the 2019 Indenture

(the “**2019 Bonds Debt Service Fund**”) to pay scheduled debt service on the 2019 Bonds. See “HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Projected Debt Service Coverage.”

See “SECURITY FOR THE CERTIFICATES – Prior Parity Obligations; Limitations on Additional Obligations and Superior Obligations” and “FINANCING PLAN – Debt Service Schedule” for information related to the Prior Parity Obligations.

Additional Parity Obligations. The Installment Sale Agreement provides that the District may incur additional obligations, referred to as “**Additional Obligations**,” secured by a pledge of Net Revenues on a parity basis with the Prior Parity Obligations and the Installment Payments only upon the satisfaction of certain conditions. See “SECURITY FOR THE CERTIFICATES – Prior Parity Obligations; Limitations on Additional Obligations and Superior Obligations.”

Governmental Loans. The Installment Sale Agreement provides that the District may incur additional loans, referred to as “**Governmental Loans**,” payable out of and/or secured by a pledge of Governmental Loans Pledged Revenues (as hereinafter defined) on a parity basis with the Prior Parity Obligations and the Installment Payments only upon the satisfaction of certain conditions. See “SECURITY FOR THE CERTIFICATES – Limitations on Government Loans.”

Assignment. Pursuant to the Assignment Agreement, the Corporation has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation’s rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies provided therein in the event of a default by the District thereunder.

Limited Obligation THE DISTRICT’S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED THEREFORE IN THE INSTALLMENT SALE AGREEMENT. ALTHOUGH THE DISTRICT HAS PLEDGED NET REVENUES WHICH CONSIST, IN PART, OF AD VALOREM PROPERTY TAX REVENUES, THE DISTRICT HAS NOT AGREED TO LEVY AND DOES NOT LEVY ANY FORM OF TAXATION TO PAY THE INSTALLMENT PAYMENTS.

Risk Factors. The purchase of the Certificates involves certain risks. For a description of some of these risks, see “RISK FACTORS.”

The District. The District is located in southern Orange County, California. The District’s service area encompasses approximately 37 square miles and includes the cities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, San Juan Capistrano, and Dana Point. See “THE DISTRICT.”

Summaries Not Definitive. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Copies of the documents described in this Official Statement are available from the District for a reasonable copying and mailing fee.

FINANCING PLAN

General

The proceeds of the sale of the Certificates will be used to: (i) finance the acquisition and construction of certain water, wastewater, and recycled water facilities and improvements of the District and (ii) pay certain costs of executing and delivering the Certificates.

The Project

The District plans to use proceeds of the Certificates to finance construction and other project costs related to the replacement and upgrade of the District’s reservoir management system and pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District’s adopted Capital Improvement Program.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Certificates are as follows:

Sources:

Principal Amount of the Certificates	\$
<i>[Plus/Less: Original Issue Premium/Discount]</i>	
<i>Total Sources:</i>	\$

Uses:

Project Fund	\$
Delivery Costs ⁽¹⁾	
<i>Total Uses:</i>	\$

(1) Includes Purchaser’s discount, Trustee fees, Municipal Advisor fees, Special Counsel and Disclosure Counsel fees, District Counsel fees, printing costs, rating agency fees, and other related costs.

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Debt Service Schedule

Scheduled debt service on the Prior Parity Obligations and the Certificates is shown in the following table.

MOULTON NIGUEL WATER DISTRICT 2019 Certificates of Participation Debt Service Schedule

Certificate Year Ending <u>September 1</u>	<u>Prior Parity Obligations</u>	<u>2019 Certificates Principal Amount</u>	<u>2019 Certificates Interest Amount</u>	<u>2019 Certificates Total Debt Service</u>	<u>Total Parity Debt Service</u>
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
Total	\$	\$	\$	\$	\$

THE CERTIFICATES

Description

The Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 (each, an “**Interest Payment Date**”), commencing March 1, 2020, and will mature on the dates and in the amounts set forth on the inside front cover. The Certificates will be executed and delivered in fully registered form without coupons. The Certificates are being executed and delivered in denominations of \$5,000 principal amount or any integral multiple thereof. The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Trust Indenture. See the discussion under “– Transfer and Exchange” below.

Principal of and premium, if any, with respect to the Certificates is payable upon the surrender thereof at the corporate trust office of the Trustee in Los Angeles, California. Interest with respect to the Certificates will be paid by check of the Trustee mailed by first class mail, to the registered owners as of the fifteenth day of the month preceding the Interest Payment Date (the “**Record Date**”). Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to Participant and beneficial owners. See “APPENDIX E – Book Entry Provisions.”

Interest with respect to any Certificate shall be payable from and including the Interest Payment Date next preceding the date of execution thereof, unless:

- (a) such date of execution is an Interest Payment Date, in which event interest shall be payable from such date of execution;
- (b) the date of execution is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from such Interest Payment Date; or
- (c) the date of execution 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 execution of a Certificate, interest is in default, interest with respect to that Certificate 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.

Payment of interest with respect to any Certificate shall be made to the person appearing on the Certificate Register as the owner thereof as of the Record Date prior to such Interest Payment Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such Owner at its address as it appears on the Certificate Register; provided that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount with respect to the Certificates, 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

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Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

While the Certificates are held in the book-entry only system of DTC, all notice and payments will be made to Cede & Co., as the registered owner of the Certificates. See "APPENDIX F – BOOK ENTRY ONLY SYSTEM."

Prepayment*

Optional Prepayment. The Certificates maturing on or before September 1, 2028 shall not be subject to optional prepayment prior to maturity. The Certificates maturing on or after September 1, 2029 may be prepaid before maturity in whole or in part (but not in a total prepayment amount of less than \$5,000) on March 1, 2029, or on any date thereafter (the "**Prepayment Date**") as a result of the prepayment of Installment Payments, at a price equal to the principal amount thereof together with accrued interest thereon to the Prepayment Date without premium.

If, on any Prepayment Date, fewer than all the Certificates are to be prepaid, the District will select the Certificates to be prepaid at its discretion, and in the case of any single maturity by lot within that maturity. The portion of any such Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000.

Mandatory Sinking Account Prepayment. The Certificates maturing on September 1, 20__ and September 1, 20__ are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 20__ and September 1, 20__, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment date, as follows:

Certificates Maturing September 1, 20__

Year (September 1)	Principal Amount of Certificates to be Prepaid
-----------------------	--

* Preliminary, subject to change.

Certificates Maturing September 1, 20__

Year (<u>September 1</u>)	Principal Amount of Certificates to be <u>Prepaid</u>
--------------------------------	---

In the event that the Trustee prepays the Certificates maturing on September 1, 20__ or September 1, 20__ in part but not in whole pursuant to a prepayment described in "Optional Prepayment," the amount of the Certificates to be prepaid on each prepayment date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

Notice of Optional Prepayment. Unless waived by any Owner of Certificates to be prepaid, notice of any prepayment of Certificates shall be given, at the expense of the District, by the Trustee by mailing a copy of a prepayment notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for prepayment to the Owner of the Certificate or Certificates to be prepaid at the address shown on the Certificate Register; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates. Any such notice also shall be given to the Securities Depositories and posted on the Municipal Securities Rulemaking Board's Electronic Municipal Marketplace Access website on the same date that it is given to the Owner of the Certificates.

All notices of prepayment shall be dated and shall state: (i) the CUSIP numbers of all Outstanding Certificates being prepaid; (ii) the stated interest rate with respect to each Certificate being prepaid; (iii) the maturity date of each Certificate being prepaid; (iv) the Prepayment Price; (v) that on the prepayment date the Prepayment Price will become due and payable with respect to each such Certificate or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date; and (vi) the place or places where such Certificates are to be surrendered for payment of the Prepayment Price, which places of payment may include the Principal Corporate Trust Office of the Trustee.

Conditional and Rescindable Prepayment Notices. The District may send a conditional notice of prepayment that notifies the Owners of the Certificates to be prepaid that the prepayment is subject to the availability of funds. The District shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Outstanding Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under this Trust Indenture. The District and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

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However, while the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayments or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment set forth in the Trust Indenture.

Partial Prepayment. In the event only a portion of any Certificate is called for prepayment, then upon surrender of such Certificate prepaid in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Certificate or Certificates, of the same maturity, of authorized denominations in aggregate principal amount equal to the unprepaid portion of the Certificate or Certificates.

Manner of Prepayment. Whenever any Certificates are to be selected for prepayment and unless otherwise provided herein, the District shall determine the Certificates or portions thereof to be prepaid among series and maturities within a series and notify the Trustee, and the Trustee shall select the Certificates or portions thereof to be prepaid by lot within a maturity and notify the District.

Consequences of Notice. Notice of prepayment having been given as described above, the Certificates or portions of Certificates so to be prepaid shall, on the prepayment date, become due and payable at the prepayment price of the Certificates to be prepaid therein specified, and from and after such date (unless the District shall default in the payment of the prepayment price of the Certificates to be prepaid) such Certificates or portions of Certificates shall cease to have interest accrue thereon. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trustee at the prepayment price of the Certificates to be prepaid. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Certificate, there shall be prepared for the Owner a new Certificate or Certificates of the same maturity in the amount of the unprepaid principal. All Certificates that have been prepaid shall be cancelled and destroyed by the Trustee and shall not be redelivered. Neither the failure of any Certificate Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for prepayment of any Certificates nor the cessation of accrual of interest thereon.

Purchase In Lieu of Prepayment. In lieu of optional or mandatory prepayment as described above, moneys in the Debt Service Fund or other funds provided by the District may be used and withdrawn by the Trustee for purchase of Outstanding Certificates, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Certificate of the District may provide, but in no event may Certificates be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium that would otherwise be due if such Certificates were to be prepaid in accordance with the Trust Indenture.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co., (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Certificates,

each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX F – Book Entry Only System.”

The District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

Transfer and Exchange

So long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges by beneficial owners of their interest in the Certificates will be made in accordance with DTC procedures and not as hereinafter described. See “APPENDIX F – Book Entry Only System.”

The registration of any Certificate may, in accordance with its terms, be transferred upon the Certificate Register by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate 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 Certificate Owner or his or her duly authorized attorney.

Certificates may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount and maturity of Certificates of other authorized denominations. The Trustee may charge the Certificate Owner any tax or other governmental charge required with respect to such transfer or exchange.

Whenever any Certificate or Certificates shall be surrendered for registration of transfer or exchange, the Trustee shall execute and deliver a new Certificate or Certificates, for a like aggregate principal amount and maturity; provided, the Trustee shall not be required to register transfers or make exchanges of (i) Certificates for a period of 15 days next preceding the date established by the Trustee for selection of the Certificates to be prepaid, or (ii) any Certificates chosen for prepayment.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences and represents a direct, undivided proportionate interest of the Owner thereof in the Installment Payments to be made by the District under the Installment Sale Agreement. The Corporation, pursuant to the Assignment Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners of the Certificates, substantially all of the Corporation’s rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies in the event of a default by the District.

Installment Payment Fund

The Trustee will establish a special fund designated as the “**Installment Payment Fund.**” The Installment Payments will be deposited by the Trustee in the Installment Payment Fund, which will be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, and will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and prepayment premiums, if any, with respect to the Certificates as the same becomes due and payable.

All payments on the Certificates will be made from the Installment Payment Fund.

Installment Payments

The Installment Sale Agreement requires the District to make semi-annual payments of Installment Payments at least five business days preceding each Interest Payment Date, and continuing thereafter during the term of the Certificates, in the amounts specified in the Installment Sale Agreement. As a result of the assignment by the Corporation to the Trustee, the District will pay the Installment Payments directly to the Trustee.

Security for the Installment Payments

Pledge of Net Revenues. Pursuant to the Installment Sale Agreement, the District agrees to pay to the Corporation and its successors and assigns (namely, the Trustee as a result of the Corporation’s assignment pursuant to the Assignment Agreement) the Installment Payments consisting of principal, interest and premiums, if any, at the times and in the amounts specified in the Installment Sale Agreement, from Net Revenues.

Pursuant to the Installment Sale Agreement, the District covenants and agrees that the payment of the Installment Payments and Parity Debt Service is secured by a first pledge, charge and lien upon, the Net Revenues, and that Net Revenues sufficient to pay the Installment Payments and Parity Debt Service as they become due and payable are pledged by the District for the purpose of securing payment of the Installment Payments and Parity Debt Service. The Net Revenues constitute a trust fund for the security and payment of the Prior Parity Obligations, any Additional Obligations and the Installment Payments.

Pursuant to the Installment Sale Agreement, the District further covenants and agrees that the payment of any Governmental Loan Payments is secured by a first pledge, charge and lien upon the Governmental Loans Pledged Revenues, and that Governmental Loans Pledged Revenues sufficient to pay any Governmental Loan Payments as they become due and payable are pledged, charged, assigned, transferred and set over by the District for the purpose of securing payment of any Governmental Loan Payments. The Governmental Loans Pledged Revenues constitute a trust fund for the security and payment of Governmental Loans.

The obligation of the District to pay Installment Payments and Parity Debt Service does not constitute an obligation of the District for which the District is obligated to levy any form of taxation.

Definitions. Set forth in the following paragraphs are some of the terms defined in the Installment Sale Agreement that are most relevant to understanding the pledge of Net Revenues to the Installment Payments.

“Additional Obligations” means all bonds, certificates of participation, notes or other obligations hereafter issued or entered into by District, payable out of the Net Revenues and which, as provided in this Agreement, the Trust Indenture, a Parity Obligation Instrument, or any subsequent indenture or similar instrument or document of District, rank on a parity with the Parity Obligations.

“Parity Debt Service” means, for any Fiscal Year, the sum of (i) the interest due and payable during such Fiscal Year for all outstanding Parity Obligations, assuming that principal (including any mandatory sinking payments) thereof is paid as scheduled, (ii) that portion of the principal amount due on all outstanding Parity Obligations maturing during such Fiscal Year, (iii) that portion of the principal amount of all such outstanding Parity Obligations required to be redeemed or paid (together with the redemption or prepayment premiums, if any, thereof) during such Fiscal Year, and (iv) any fees payable during such Fiscal Year under the Parity Obligation Instruments.

“Parity Obligations” means (i) the Installment Payments, (ii) the 2019 Bonds; (iii) the 2015 Bonds, and (iv) any Additional Obligations.

“Parity Obligation Instruments” means the Installment Sale Agreement, the 2019 Indenture, the 2015 Indenture, and any other resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement or other instrument under which any Additional Obligation is issued or incurred under the Installment Sale Agreement.

“Governmental Loans” means all loans hereafter issued or entered into by District, payable out of the Governmental Loans Pledged Revenues and which, as provided in the Installment Sale Agreement, a Governmental Loan Instrument, or any subsequent loan agreement, indenture or similar instrument or document of District, rank on a parity with the Parity Obligations with respect to Net Revenues consisting of Governmental Loan Pledged Revenues. **“Governmental Loan Instruments”** means any resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement, loan agreement or other instrument under which any future Governmental Loans are issued or incurred.

“Governmental Loan Payments” means, for any period, the sum of all of the payments due under Governmental Loans in such period.

“Governmental Loans Pledged Revenues” means: those Revenues consisting of revenues received by the District from sales of recycled water, rebate payments received by the District from Metropolitan Water District pursuant to Metropolitan Water District Local Projects Program and revenues received by the District from wastewater service charges.

The obligation of the District to pay the Installment Payments from Net Revenues is on a parity with the District’s obligation to pay debt service on the Prior Parity Obligations, and the District’s obligation to pay Installment Payments from the portion of the Net Revenues constituting Governmental Loans Pledged Revenues would be on a parity with the District’s obligation to pay any Governmental Loan Payments.

Definition of Net Revenues. The Installment Sale Agreement defines Net Revenues and related terms as follows:

“Net Revenues” means Revenues less Maintenance and Operation Expenses.

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“Revenues” means (i) Operating Revenues, (ii) Non-Operating Revenues, and (iii) the earnings on, and income derived from, the investment of Operating Revenues and Non-Operating Revenues.

“Operating Revenues” means revenues received by the District from the levy and collection of Charges.

“Charges” means all rates, fees (including capital facility connection and capacity fees, to the extent permitted by and in accordance with law), charges, standby charges (other than those standby charges levied pursuant to California Water Code Sections 36425 and 35506 and pledged to debt service on the District’s outstanding general obligation bonds and any additional general obligation bonds to be issued in the future), assessments and other moneys derived by the District from the sale, furnishing and supplying of water, recycled water and wastewater or other services furnished or supplied through the facilities of, or in the conduct or operation of, the water, recycled water and wastewater systems of the District.

“Non-Operating Revenues” means (A) rents, insurance and condemnation proceeds, (B) amounts appropriated from the Rate Stabilization Fund, (C) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of any part of, or rights, in the District’s water, recycled water and wastewater systems, (D) the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the Orange County Tax Collector to District pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, as amended from time to time) (such property tax revenues hereinafter referred to as, **“Property Tax Revenues”**) and (E) other moneys (other than Operating Revenues) received by the District in connection with the water, recycled water and wastewater systems..

“Maintenance and Operation Expenses” means the reasonable and necessary costs spent or incurred by District for maintaining and operating water, recycled water and wastewater systems, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such systems in good repair and working order, and including but not limited to administrative costs of the District, salaries and wages of employees, payments to any employee retirement plan, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers, and necessary costs of or charges required to be paid by it to comply with the terms of the Certificates or of the Installment Sale Agreement, including any amounts required to be paid to the United States of America pursuant to the Trust Indenture; but excluding in all cases (i) depreciation, replacements and obsolescence charges or reserves therefor; (ii) amortization of intangibles or other bookkeeping entries of a similar nature; (iii) costs of capital additions, replacements, betterments, extensions or improvements to the District water, recycled water and wastewater systems, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation; and (iv) charges or assessments for the payment of principal, premium, if any, and interest on any general obligation bonds heretofore or hereafter issued for the water, recycled water and/or wastewater system purposes.

Installment Payments; Flow of Funds

The District will agree to pay the Installment Payments consisting of principal and interest when due from Net Revenues.

In order to provide for the payment of Installment Payments when due, the District shall, at least five Business Days prior to each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund, an amount equal to the amount of the principal and interest components thereon for the next succeeding Installment Payment Date, less any funds then on hand in the Installment Payment Fund.

The Trustee will deposit the moneys received from District to be applied to Installment Payments, upon receipt thereof, into the Interest Account and Principal Account within the Installment Payment Fund. Funds will be deposited so that the respective amounts in such accounts will be equal to the principal and interest due with respect to the Certificates on the ensuing Interest Payment Date, less amounts on hand in such accounts available to pay such principal and/or interest.

Interest or other income earned on moneys or investments in the Installment Payment Fund shall be retained in such fund (and the respective accounts therein) and used for the purposes authorized in the Installment Sale Agreement.

Rate Stabilization Fund

General. The District has established a rate stabilization fund (the “**Rate Stabilization Fund**”). Under the Installment Sale Agreement, the District covenants to maintain the Rate Stabilization Fund separate and apart in its treasury from other funds for the Installment Sale Term or for so long as any Installment Payments remain unpaid. In accordance with the District’s Rate Stabilization Reserve Policy (as defined below), as of September 1, 2019, the Rate Stabilization Fund had a balance of approximately \$14,826,780. See “– District Rate Stabilization Reserve Policy” below for a description of the District’s Rate Stabilization Reserve Policy, which is separate and apart from the District’s covenant in the Installment Sale Agreement regarding the Rate Stabilization Fund.

Deposits. From time to time and at the discretion of the District, the District may deposit amounts in the Rate Stabilization Fund from Unrestricted Fund Balances and/or Surplus Revenues.

Permitted Uses. Pursuant to the Installment Sale Agreement, the District may use amounts on deposit in the Rate Stabilization Fund to pay Maintenance and Operation Expenses; provided, the District maintains amounts in the Rate Stabilization Fund as described below under “Rate Covenant.”

It is important to note that, pursuant to the Installment Sale Agreement, moneys on deposit in the Rate Stabilization Fund may not be used to make Installment Payments, pay Parity Debt Service or to make deposits to any Parity Reserves (i.e., reserve funds for Parity Obligations).

Maintenance of Rate Stabilization Fund at Minimum Balance. Except as provided below, the District covenants in the Installment Sale Agreement to maintain the Rate

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Stabilization Fund in an amount of not less than 50% of Maximum Annual Debt Service (the “**Rate Stabilization Fund Minimum Balance**” or “**Minimum Balance**”).

The District may allow the balance on hand in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance if the District collects Net Revenues in an amount equal to 125% of Annual Debt Service for each of two consecutive Fiscal Years.

If:

(1) the District has been permitted to allow funds in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance, as provided above; and

(2) the District does not in any Fiscal Year thereafter collect Charges at least equal to 125% of Debt Service due in that year;

then the covenant set forth in the previous paragraph to maintain the Rate Stabilization Fund Minimum Balance shall again become effective on the first day of the next succeeding Fiscal Year (the “**Restoration Date**”). The District covenants in the Installment Sale Agreement that during the Fiscal Year beginning on any Restoration Date, it will budget for and appropriate amounts sufficient to, and will cause the balance in the Rate Stabilization Fund to be restored to an amount equal to the Rate Stabilization Fund Minimum Balance. If the Rate Stabilization Fund Minimum Balance is so restored during such Fiscal Year, then the District will not be deemed to be in default with respect to its rate covenant for such preceding Fiscal Year.

District Rate Stabilization Reserve Policy. In addition to the District’s covenant under the Installment Sale Agreement described above, the District has adopted a policy (the “**Rate Stabilization Reserve Policy**”) to maintain a minimum balance in the Rate Stabilization Fund equal to 50% of the District’s budgeted 1% of ad valorem property revenues for each fiscal year (such minimum balance, the “**Rate Stabilization Reserve Policy Minimum Balance**”). The Rate Stabilization Reserve Policy established by the District is subject to change at the discretion of the District’s Board of Directors and nothing in the Installment Sale Agreement requires that the District maintain a balance in the Rate Stabilization Fund in excess of that covenanted in the Installment Sale Agreement as described above under the caption “– Maintenance of Rate Stabilization Fund at Minimum Balance.” The District cannot provide any assurance that the District’s Board of Directors will not in the future amend its Rate Stabilization Reserve Policy so as to reduce or eliminate the Rate Stabilization Reserve Policy Minimum Balance.

Prior Parity Obligations; Limitations on Additional Obligations and Superior Obligations

General. Under the Installment Sale Agreement, the District may issue Additional Obligations of the District payable from and secured by a pledge of and lien upon Net Revenues only in compliance with the conditions described below.

Superior Obligations. In order to further protect the availability of Net Revenues and the security for the Installment Payments and Parity Obligations, the District agrees in the Installment Sale Agreement that it will not, so long as any Certificates or Parity Obligations are outstanding, issue or incur any obligations payable from Net Revenues which are superior to the Installment Payments or the Parity Obligations.

Prior Parity Obligations. Debt service on the Prior Parity Obligations is payable from Net Revenues on a parity with the payment of the Installment Payments. See “INTRODUCTION – Prior Parity Obligations.”

Additional Obligations. The District covenants in the Installment Sale Agreement that, except for obligations issued or incurred to prepay the Installment Payments, or to otherwise prepay or refund Parity Obligations which are presently outstanding, the District will not issue or incur any Additional Obligations unless the following conditions are satisfied:

(1) The District is not in default under the terms of the Installment Sale Agreement or outstanding Parity Obligation Instruments; and

(2) Either (i) the Net Revenues, as shown by the books and records of District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Additional Obligations, as set forth in a certificate of an Independent Consultant, or (ii) the estimated Net Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Additional Obligations will be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth below, will have amounted to not less than 1.10 times Maximum Annual Debt Service (as defined below) in any Fiscal Year thereafter; provided, that in calculating Maximum Annual Debt Service, the District shall exclude (x) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for the Parity Obligations, and (y) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans.

For purposes of the calculations required in paragraph (2) above, Net Revenues may be adjusted to include:

(1) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made; and

(2) to the extent not included in the previous paragraph, an amount equal to 75% of the anticipated Net Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Additional Obligations for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made.

The Installment Sale Agreement defines “**Maximum Annual Debt Service**” as follows: as of the date of calculation, the maximum amount of Installment Payments, Governmental Loan Payments, and Parity Debt Service due in any Certificate Year prior to the final maturity of the Certificates, and for purposes of: (a) the issuance of Additional Obligations, includes the maximum amount of Debt Service due on any Additional Obligations subsequent to the issuance of such Additional Obligations; and (b) the issuance of Governmental Loans, includes

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the maximum amount of Governmental Loan Payments due on any Governmental Loans subsequent to the issuance of such Governmental Loans.

Limitations on Future Government Loans

Future Governmental Loans. The District covenants in the Installment Sale Agreement that, except for obligations issued or incurred to prepay or refund Governmental Loans which are presently outstanding, the District will not issue or incur any Governmental Loans unless:

(1) The District is not in default under the terms of the Installment Sale Agreement or outstanding Governmental Loan Instruments; and

(2) Either: (a) the Governmental Loans Pledged Revenues, as shown by the books and records of the District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than 1 month before the issuance of or incurrence of such Governmental Loan, as set forth in a certificate of an Independent Consultant; or (b) the estimated Governmental Loans Pledged Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Governmental Loan shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of the District, any or all of the items set forth hereinafter in this covenant designated under "Adjustments to Governmental Loan Pledged Revenues" below, will have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter (for this purpose, Maximum Annual Debt Service may exclude (i) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans and (ii) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for Parity Obligations).

Adjustments to Governmental Loan Pledged Revenues. For purposes of the calculations described in paragraph (2) under "Governmental Loans" above, Governmental Loan Pledged Revenues may be adjusted to include:

(1) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made; and

(2) to the extent not included in the previous paragraph, an amount equal to 75% of the anticipated Governmental Loan Pledged Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Governmental Loan for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made.

Rate Covenant

The District covenants in the Installment Sale Agreement that in each Fiscal Year it will, to the maximum extent permitted by law, annually fix and collect Charges for water, recycled

water and wastewater services which, after allowance for contingencies and error in estimates, will be at least sufficient to provide Net Revenues that will equal at least the Rate Covenant Percentage (defined below) of the sum of (1) Debt Service (i.e., the Installment Payments plus Parity Debt Service) and Governmental Loan Payments due in the Fiscal Year during which such Net Revenues will be collected; and

- (2) any required deposits to any Parity Reserves.

The term “Rate Covenant Percentage” is defined in the Installment Sale Agreement to mean:

- (1) 100%, so long as the amounts on hand in the Rate Stabilization Fund are at least equal to the Rate Stabilization Fund Minimum Balance (see “– Rate Stabilization Fund” above); and
- (2) 125%, if funds on hand in the Rate Stabilization Fund do not equal or exceed the Rate Stabilization Fund Minimum Balance.

No Reserve Fund

A debt service reserve fund for the Certificates will not be established by the District in connection with the execution and delivery of the Certificates.

Additional Covenants

The District makes certain additional covenants in the Installment Sale Agreement and the Trust Indenture, including a covenant to maintain the Systems and a covenant to maintain insurance. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Limited Obligation

The District’s obligation to pay the Installment Payments is a special obligation, limited solely to the Net Revenues. Under no circumstances will the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments, or to levy any form of taxation. No other funds or property of the District will be liable for the payment of the Installment Payments.

THE 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 to communities within its 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. Most of the existing components of the System were built between 1980 and the early 2000s.

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Service Area. The District's service area encompasses approximately 37 square miles in Orange County, California, serving over 171,000 in population within the cities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, San Juan Capistrano, and Dana Point. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. 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.

Source of Water. The District's current water needs are met by a combination of imported potable water and recycled water. The District's potable demands are supplied from imported sources via The Metropolitan Water District of Southern California ("MWD"). The recycled water supply is locally sourced and has steadily increased to account for almost 20 percent of the overall water supply in the District. See "THE SYSTEMS – Source of Water."

Service Area Connections and Population. The following table highlights the District's growth in estimated population and water and wastewater service connections over the past 10 fiscal years. Estimated population figures were developed by the Center for Demographic Research at Cal State Fullerton as part of the District's Urban Water Management Plan.

Table 1
MOULTON NIGUEL WATER DISTRICT
Service Connections and Estimated Population
Fiscal Years 2009-10 to 2018-19

Fiscal Year	Water and Wastewater Service Connections	Estimated Population
2009-10	54,144	167,408
2010-11	54,362	164,450
2011-12	54,533	168,402
2012-13	54,792	168,174
2013-14	54,899	169,212
2014-15	55,019	170,326
2015-16	54,849	170,610
2016-17	55,030	170,894
2017-18	55,067	171,178
2018-19	55,108	171,661

Source: Moulton Niguel Water District.

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 is elected through an at-large voting process. 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 Current Term</u>
Richard S. Fiore	1977	12/2020
Gary R. Kurtz	1992	12/2020
Donald Froelich, <i>Vice-President</i>	2008	12/2022
Brian S. Probolsky, <i>President</i>	2008	12/2020
Duane D. Cave, <i>Vice-President</i>	2014	12/2020
Kelly A. Jennings	2018	12/2022
William "Bill" Moorhead	2018	12/2022

Management

Following are brief biographies of the District’s key management personnel.

Joone Lopez, General Manager. Joone Lopez is the General Manager of the District. Before joining Moulton Niguel, Mrs. Lopez served as the General Manager of Calaveras County Water District located in Northern California. Mrs. Lopez’s prior experience includes working for Apple Valley Ranchos Water Company as its Assistant General Manager and serving as the Deputy General Manager of Central Basin Municipal Water District.

Mrs. Lopez is a Board Member for Association of California Water Agencies, California WaterReuse Association, Capistrano Unified School District Foundation, Southern California Water Committee, and Tilly’s Life Center. Preceding her career in the water industry, Mrs. Lopez was a Police Officer for the City of Pasadena, where she received the Silver Medal of Courage for valor under fire. Mrs. Lopez holds a Master’s Degree in Public Administration from California State University, Northridge and a Bachelor’s Degree in Communications from University of California, San Diego.

Matt Collings, Assistant General Manager. Matt Collings is the Assistant General Manager of the District. During his ten-year tenure at the District, Mr. Collings held positions in the Engineering Department before being promoted to the Director of Engineering and Operations, where he successfully integrated the two divisions. Prior to joining the District, Mr. Collings worked as an engineer in the private sector designing water and wastewater systems for various public agencies. Mr. Collings is a registered professional engineer in the State of California and holds a Bachelor’s Degree in Civil Engineering from Loyola Marymount University.

Drew Atwater, Director of Finance and Water Resources. Drew Atwater is the Director of Finance and Water Resources at the District overseeing the financial planning, water efficiency, and water resource planning functions. Mr. Atwater has overseen the development of a data science team to improve efficiencies throughout the agency which have been recognized regionally and nationally. Prior to joining the District, Mr. Atwater worked as a rate consultant for more than a dozen agencies building long range financial plans, water budget rate studies and drought rates. Mr. Atwater is a regular author in the Journal of the American Water Works Association on subjects ranging from integrated resource planning to drought rates to best

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practices in reserve policy design. Mr. Atwater holds a Bachelor of Arts in Physics from Reed College and a Masters in Science in Environmental Science focusing in Environmental Economics and Policy from the University of California, Riverside.

Trevor Agrelius, Controller. Trevor Agrelius is the Controller of the District, overseeing the accounting, financial reporting, purchasing and warehouse functions. Prior to joining the District, Mr. Agrelius worked as an external auditor in the private sector specializing in audits of California government agencies and as a manager in the County of Orange Auditor Controller's office. Mr. Agrelius is an active certified public accountant licensed in the State of California and holds a Bachelor's of Science Degree in Accounting from the University of La Verne.

Johnathan Cruz, Financial Planning Manager. Johnathan Cruz is the Financial Planning Manager at the District. Mr. Cruz oversees the District's budget development, rate-setting and financial forecasting, and leads many of the District's data-driven planning efforts. Prior to joining the District, Mr. Cruz worked extensively as a rate consultant and has served as lead consultant on numerous financial planning and rate studies for agencies throughout California and Nevada. Mr. Cruz holds a Bachelor of Arts in Economics & Administrative Studies with an emphasis in finance and a Master of Arts in Economics both from the University of California, Riverside.

Employees

The District had 150 full-time employees as of June 30, 2019.

Deferred Compensation Plan. The District provides its employees and its Board members with a Section 457 Deferred Compensation Plan (the "**Deferred Compensation Plan**"). The Deferred Compensation 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 401(a) Plan and Trust (the "**401(a) Plan**"), a single-employer defined contribution pension plan. The District's Board of Directors established the 401(a) Plan and is authorized to amend the 401(a) Plan and to name its trustees. All employees participating in the Deferred Compensation Plan are eligible to participate in the 401(a) Plan. 401(a) Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employee's salary to the 401(a) Plan if the employee elects to participate in the Deferred Compensation Plan. Employer contributions were \$232,721 and recognized as pension expense for the fiscal year ended June 30, 2018. 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 separation from employment.

Pension Plans. *This caption contains certain information relating to the California Public Employees' Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. None of the District, the Municipal Advisor or the Purchaser has independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS. The comprehensive annual financial reports*

of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. None of the District, the Municipal Advisor or the Purchaser can guarantee the accuracy of such information.

Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. All permanent and probationary employees of the District are eligible to participate in pension plans provided by CalPERS, an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State. The District's Board of Directors are not eligible for participation in CalPERS. CalPERS consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employers miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Fund C ("**PERF C**").

CalPERS acts as a common investment and administrative agent for participating public agencies within the State. Benefit provisions and all other requirements are established by State statute and the District. The District's Board of Directors has authority over the District's participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The District's pension plans (collectively, the "**Pension Plans**") consist of the following: (i) a plan for employees employed prior to July 28, 2009 (the "**First Tier Miscellaneous Plan**"), (ii) a plan for employees employed on or after July 28, 2009, but before January 1, 2013 (the "**Second Tier Miscellaneous Plan**"), and (iii) a plan for employees employed on or after January 1, 2013 (the "**PEPRA Miscellaneous Plan**"). The following table shows the number of District employees within each of the Pension Plans as of June 30, 2019.

<u>Pension Plan</u>	<u>Number of Employees</u>
First Tier Miscellaneous Plan	42
Second Tier Miscellaneous Plan	32
PEPRA Miscellaneous Plan	76
Total	150

PERS Contributions and Funding Policy. The California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Pension Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to pay the Pension Plans' allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

The District's employer contribution rates for each Pension Plan as a percentage of payroll for the last four fiscal years are set forth in the following table.

**CalPERS Employer Contribution Rates
Fiscal Years 2015-16 through 2018-19⁽¹⁾
By Pension Plan**

<u>Pension Plan</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>
Miscellaneous Tier 1	19.981%	22.896%	26.639%	33.559%
Miscellaneous Tier 2	9.583	9.967	10.035	10.754
Miscellaneous PEPRA	6.697	7.181	7.151	7.639

(1) The rates shown are for July 1 of each year; however, it may not be the rate in effect for the complete fiscal year. Changes in plan benefits, the funding period, prepayments, or other contract changes may not be reflected in these rates.

Source: CalPERS Annual Valuation Actuarial Reports as of June 30 of the years 2014, 2015, 2016, and 2017.

The District's total employer contributions and rates for the Pension Plans in aggregate as a percentage of payroll for the last four fiscal years are set forth in the following table.

**CalPERS Employer Contributions
Fiscal Years 2015-16 through 2018-19
All Pension Plans**

	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>
District Contribution	\$1,351,327	\$1,539,047	\$1,820,425	\$2,224,257
Contribution as % of Covered Payroll	15.12%	15.80%	16.33%	18.04%

Source: Moulton Niguel Water District.

Funded Status. The following tables set forth the schedule of funding for the District's Pension Plans as of June 30 of the years 2014 through 2018. *The following information was provided to the District by CalPERS and has not been reviewed for accuracy or audited by the Auditor (as hereinafter defined). CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

**CalPERS Funded Status
As of June 30 of the years 2014 through 2018
By Pension Plan**

First Tier Miscellaneous Plan

<u>Valuation Date (June 30)</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Plan's Share of Pool's Market Value of Assets</u>	<u>Plan's Share of Unfunded Accrued Liability</u>	<u>Funded Ratio⁽¹⁾</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Accrued Liability as % of Payroll</u>
2014	\$70,089,584	\$59,200,897	\$10,888,687	84.5%	\$4,918,244	221.4%
2015	72,715,617	58,250,209	14,465,408	80.1	4,728,272	224.3
2016	76,825,357	57,091,579	19,733,598	74.3	4,385,015	450.0
2017	80,498,825	60,842,245	19,656,580	75.6	4,205,949	467.4
2018	85,718,247	62,886,711	22,831,536	73.4	4,424,559	513.0

Second Tier Miscellaneous Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2014	\$ 720,093	\$ 674,398	\$ 45,695	93.7%	\$1,584,807	2.9%
2015	1,189,227	1,125,677	63,550	94.7	1,966,203	3.2
2016	1,607,825	1,418,815	189,010	88.2	1,751,299	10.8
2017	2,246,929	2,075,229	171,700	92.4	1,815,740	9.5
2018	3,090,167	2,800,525	289,642	90.6	2,541,422	11.4

PEPRA Miscellaneous Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio ⁽¹⁾	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2014	\$ 92,441	\$ 98,164	\$ (5,723)	106.2%	\$1,286,060	(0.4)%
2015	284,552	270,373	14,179	95.0	1,636,892	0.9
2016	618,288	551,866	66,422	89.3	2,631,484	2.5
2017	1,110,716	1,048,036	62,680	94.4	3,967,258	1.6
2018	1,941,570	1,779,047	162,523	91.6	4,269,465	3.8

(1) Based on the market value of assets.

Source: CalPERS Annual Valuation Actuarial Report as of June 30, 2018 for each Pension Plan.

Actions Taken by CalPERS. On November 18, 2015, the CalPERS' Board of Administration (the "**Board of Administration**") adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers.

On December 21, 2016, the Board of Administration voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the District, the new discount rate took effect on July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in

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their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the District with respect to the Pension Plans, are anticipated to increase beginning in fiscal year 2020-21.

Projected Annual Contributions. The following tables show the District's actuarially-determined required employer contribution for Fiscal Year 2019-20 and projected employer contributions for Fiscal Years 2020-21 through 2025-26 for each of the Pension Plans and assume a 7.00% annual rate of return for Fiscal Year 2018-19. *The following information was provided to the District by CalPERS and has not been reviewed for accuracy or audited by the Auditor. CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

CalPERS Projected Annual Contributions As of June 30, 2018 By Pension Plan

First Tier Miscellaneous Plan

	Fiscal Year <u>2019-20</u>	Fiscal Year <u>2020-21</u>	Fiscal Year <u>2021-22</u>	Fiscal Year <u>2022-23</u>	Fiscal Year <u>2023-24</u>	Fiscal Year <u>2024-25</u>	Fiscal Year <u>2025-26</u>
Normal Cost %	12.098%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%
UAL Payment	\$1,325,666	\$1,518,607	\$1,754,000	\$1,949,000	\$2,059,000	\$2,180,000	\$2,240,000

Second Tier Miscellaneous Plan

	Fiscal Year <u>2019-20</u>	Fiscal Year <u>2020-21</u>	Fiscal Year <u>2021-22</u>	Fiscal Year <u>2022-23</u>	Fiscal Year <u>2023-24</u>	Fiscal Year <u>2024-25</u>	Fiscal Year <u>2025-26</u>
Normal Cost %	11.120%	11.816%	11.8%	11.8%	11.8%	11.8%	11.8%
UAL Payment	\$10,346	\$16,862	\$24,000	\$30,000	\$34,000	\$38,000	\$39,000

PEPRA Miscellaneous Plan

	Fiscal Year <u>2019-20</u>	Fiscal Year <u>2020-21</u>	Fiscal Year <u>2021-22</u>	Fiscal Year <u>2022-23</u>	Fiscal Year <u>2023-24</u>	Fiscal Year <u>2024-25</u>	Fiscal Year <u>2025-26</u>
Normal Cost %	7.191%	7.847%	7.8%	7.8%	7.8%	7.8%	7.8%
UAL Payment	\$12,744	\$24,182	\$25,000	\$26,000	\$26,000	\$27,000	\$28,000

Source: CalPERS Actuarial Valuation Reports as of June 30, 2018 for each Pension Plan.

According to CalPERS, due to the change in the discount rate for the next valuation in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for six years from Fiscal Year 2019-20 through Fiscal Year 2024-25. See “APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018, NOTES TO BASIC FINANCIAL STATEMENTS, Note 8, Pension Plans” for additional information about the District’s retirement plans.

Other Post-Employment Benefits (OPEB). The District provides other post-employment benefits (“OPEBs”) to certain former employees and board members as described below.

Plan Description. Under the authority of the District’s Board of Directors, the District has established a Retiree Healthcare Plan (the “**HC Plan**”), and participates in an agent multiple-employer defined benefit retiree healthcare plan. These benefits may be amended at the discretion of the Board of Directors. To mitigate the costs of increasing healthcare, the District has imposed a three-tier structure for its employees. Employees hired prior to July 1, 2008, retiring from the District at age 55 with ten years of service to the District, receive post-retirement health benefits for themselves and their dependents. Employees hired after July 1, 2008, but before July 1, 2017, retiring from the District at age 60 with fifteen years of continuous employment, receive postretirement health benefits for themselves and their dependents. Employees hired on or after July 1, 2017, are not eligible for retiree health benefits. Board members elected after January 1, 1995, are not eligible for retiree health coverage, regardless of age and years of service at retirement.

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 Medicare supplement policy. Dependent coverage ceases when the retiree or former Board Member reaches age 65. As of the June 30, 2017 actuarial valuation, there were 40 retirees and dependents receiving benefits and 130 active plan members.

Beginning July 1, 2017, the District decided to eliminate new employee retirement health benefits as part of an effort to reduce the District’s outstanding retirement benefit commitments. Along with the restructuring of its CalPERS tiers, the District restructured its post-employment health benefits for employees to work in unison with Medicare benefits and began making annual payments to the California Employer’s Retiree Benefit Trust (“**CERB Trust**”) to prefund health benefits and reduce outstanding liabilities.

Changes in Reporting Requirements – GASB 75. In fiscal year 2017-18, the District implemented “*Governmental Accounting Standards Board (“GASB”) Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, and No. 85, Omnibus 2017*” (“**GASB Statement No. 75**”). GASB Statement No. 75 established standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The standards in GASB Statement No. 75 parallel the pension standards issued in 2012 under GASB Statement No. 68. As result of the implementation of GASB Statement No. 75, the District recognized Net OPEB liability of \$1.8 million and restated its beginning net position for such fiscal year by \$1.6 million in fiscal year 2017-18.

Contributions. The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be

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amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal years ended June 30, 2018 and June 30, 2019, the District's cash contributions, which include payments made to the trust and retiree benefits paid by the District outside the CERB Trust, were \$322,544 and \$316,895, respectively, in payments to the CERB Trust and the estimated implied subsidy was \$154,538 and \$150,182, respectively, resulting in total payments of \$477,082 and \$467,077, respectively, as shown in the following table.

**Schedule of OPEB Contributions
Fiscal Years 2017-18 and 2018-19**

	2017-18	2018-19 ⁽¹⁾
Actuarially Determined Contribution (ADC)	\$ 392,230	\$ 403,997
Contribution in relation to ADC	(477,082)	(467,077)
Contribution deficiency (excess)	<u>(84,852)</u>	<u>(63,080)</u>
Covered employee payroll	\$10,826,985	\$10,102,781
Contributions as percentage of covered-employee payroll	4.4%	4.1%

(1) Unaudited.

Source: Moulton Niguel Water District.

Net OPEB Liability. The District's net OPEB liability for the measurement period ended June 30, 2018 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability for such fiscal year was determined by an actuarial valuation dated January 1, 2017, that was rolled forward to determine the June 30, 2017 total OPEB liability, based on certain actuarial methods and assumptions. As of June 30, 2017, the District's net OPEB liability and the total OPEB liability was \$1,781,885 and \$5,175,696, respectively.

The District's unaudited net OPEB liability for the measurement period ended June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability for such fiscal year was determined by an actuarial valuation dated January 1, 2017, that was rolled forward to determine the June 30, 2018 total OPEB liability, based on certain actuarial methods and assumptions. As of June 30, 2018, the District's unaudited net OPEB liability and the total unaudited OPEB liability was \$1,540,823 and \$5,137,847, respectively.

The following presents the net unaudited OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	Discount Rate – 1% 5.50%	Current Discount Rate 6.50%	Discount Rate + 1% 7.50%
Net OPEB Liability⁽¹⁾	<u>\$1,962,221</u>	<u>\$1,540,823</u>	<u>\$1,169,097</u>

(1) Unaudited.

Source: Moulton Niguel Water District.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared

with past expectations and new estimates are made about the future. See “APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018, NOTES TO BASIC FINANCIAL STATEMENTS, Note 9, Other Post-Employment Benefits (OPEB)” for a description of the actuarial methods and assumptions used to measure the District’s net OPEB liability as of June 30, 2017.

OPEB Funded Status. The status of the plan as of the June 30, 2017 and June 30, 2018 measurement dates is as follows:

	June 30, 2017	June 30, 2018 ⁽¹⁾
Total OPEB Liability – Beginning	\$5,183,047	\$5,175,696
Total OPEB Liability – Ending (a)	5,175,696	5,137,847
Plan Fiduciary Net Position – Beginning	\$3,051,218	\$3,393,811
Plan Fiduciary Net Position – Ending (b)	3,393,811	3,597,024
Net OPEB Liability (a) – (b)	\$1,781,885	\$1,540,823
Plan Fiduciary Net Position as a percentage of the total OPEB liability	65.6%	70.0%
Covered employee payroll	10,391,010	10,389,025
Net OPEB Liability as a percentage of covered-employee payroll	17.1%	14.8%

(1) Unaudited.

Source: Moulton Niguel Water District.

See “APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018, NOTES TO BASIC FINANCIAL STATEMENTS, Note 9, Other Post-Employment Benefits (OPEB)” and “Schedule of Changes in the Net OPEB Liability and Related Ratios” therein for additional information regarding the District’s OPEB costs.

Insurance

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 363 public water agencies within the State. 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.

The District maintains \$60,000,000 in commercial general liability insurance, auto liability, employment practices liability coverage and public official’s error & omissions. The District also has a \$3 million cyber liability commercial insurance policy through the JPIA which, is not a risk-sharing program. The property damage insurance program provided for up to \$500 million in limits, per occurrence, on structures and contents with a \$25,000 deductible per loss, and underground storage tank coverage of \$1,000,000. The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. Workers compensation coverage provides statutory limits for bodily injury by each accident and bodily injury per occurrence, and employee’s liability is \$2 million per occurrence. If the District’s deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an

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extensive safety program. As a result of the program, the District has received retrospective refunds from the JPIA Rate Stabilization Fund. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000.

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 Certificates, to contest the validity of the Certificates or the Trust 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 the Installment Payments 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. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018, NOTES TO BASIC FINANCIAL STATEMENTS, Note 2, Cash and Investments" for additional information.

Long-Term Obligations

Following delivery of the Certificates, the District's only outstanding obligations payable from Net Revenues will be the Prior Parity Obligations and the Installment Payments.

Audited Financial Statements

The District's Comprehensive Annual Financial Report for fiscal year ended June 30, 2018, which is attached to this Official Statement as Appendix A, was audited by Vavrinek, Trine, Day & Co., LLP (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 C – ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE SERVICE AREA OF THE DISTRICT" for additional information regarding the District.

Joint Power Authorities

South Orange County Wastewater Authority. The District is a member of SOCWA. Pursuant to a "Joint Exercise of Powers Agreement Creating South Orange County Wastewater Authority and Terminating Aliso Water Management Agency, South East Regional Reclamation Authority, South Orange County Reclamation Authority" dated July 1, 2001, SOCWA treats, beneficially reuses and disposes of wastewater in South Orange County. SOCWA operates three wastewater treatment plants ("**WWTP**") in the region, and two ocean outfall pipelines for disposal of the treated effluent from the plants. SOCWA has 10 member agencies, consisting of 3 cities, and 6 water districts and 1 service district. A Board of Directors consisting of representatives from the member agencies governs SOCWA. The Board of Directors controls the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has Project Committees that member agencies participate in financially at

various levels, depending on their capacity rights in the project. Each WWTP and outfall pipeline is a project, as well as various other physical facilities, such as outfall pipelines. The District's overall participation level is the highest of the member agencies, approximating 44% of SOCWA.

The District deposits money with SOCWA to cover its share of operation and capital costs in the project committees the District participates in. At the end of each fiscal year, SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. These costs constitute Maintenance and Operation Expenses under the Installment Sale Agreement. In fiscal year 2018-19, the District paid approximately \$11.5 million to SOCWA for Maintenance and Operation Expenses. In addition, construction deposits made to SOCWA for capital projects are recorded as capacity rights capital assets on the District's financial statements (and not Maintenance and Operation Expenses). In fiscal year 2018-19, the District paid approximately \$6.4 million to SOCWA for capital projects.

Joint Regional Water Supply System. The District is one of nine members who participate in the Joint Regional Water Supply System ("**JRWSS**"). JRWSS owns and operates several pipelines and reservoirs, including the Joint Transmission Main that serves the District. The pipelines deliver drinking water to the nine member agencies. South Coast Water District serves as Trustee of JRWSS. As Trustee, South Coast Water District maintains the infrastructure, collects money to cover expenses from the member agencies and keeps records for JRWSS. See "THE SYSTEMS – Water System in General." The District has a 48.64% ownership interest in the Joint Transmission Main.

The District deposits money with JRWSS to cover its share of operation and capital costs. At fiscal year-end, JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate. The District remitted approximately \$1.6 million to JRWSS for the fiscal year ended June 30, 2019, consisting of approximately \$1.1 million for capital projects and approximately \$500,000 for Maintenance and Operation Expenses.

San Juan Basin Authority. The District is a member of the San Juan Basin Authority ("**SJBA**") a joint powers authority formed pursuant to a "Joint Exercise of Powers Agreement Creating the San Juan Basin Authority" dated November 22, 1971, to secure and develop water rights for its member agencies. The objective of the District's membership is to diversify and increase its water sources in the future. It currently has permits for using the San Juan Groundwater Basin ("**Basin**") and is best classified as an underground stream. It holds a capacity of 40,000 acre-feet, with about half as usable storage, where storm flows are recharged and withdrawn by various production wells. The State has granted SJBA water rights to divert water from the Basin for beneficial purposes.

SJBA's membership includes the District along with Santa Margarita Water District, City of San Juan Capistrano and South Coast Water District. A Board of Directors consisting of representatives from member agencies governs SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has Project Committees that member agencies participate in financially at various levels based upon ownership or usage.

The District deposits money with SJBA to cover its share of operations in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors. The District remitted approximately \$160,000 to SJBA for the fiscal year ended June 30, 2019. These costs constitute Maintenance and Operation Expenses under the Installment Sale Agreement.

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Santiago Aqueduct Commission. The District is a member of the Santiago Aqueduct Commission (“SAC”). SAC operates and maintains the Baker Pipeline, which conveys untreated water from MWD to south Orange County retail water agencies. The District has 13 cubic feet per second of capacity rights in the Baker Pipeline to supply the Baker Water Treatment Plant, and the District is responsible for the proportional costs to operate and maintain the Baker Pipeline, including administrative costs. SAC has five members, including the District. A Board of Directors consisting of representatives of the five agencies governs the SAC. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC. The District paid approximately \$21,000 to SAC for fiscal year 2018-19. These costs constitute Maintenance and Operation Expenses under the Installment Sale Agreement. See “THE SYSTEMS – Treatment” for additional information regarding the Baker Water Treatment Plant.

THE SYSTEMS

General

The following table lists the District’s major facilities:

Table 2
MOULTON NIGUEL WATER DISTRICT
Major Facilities

<u>Facility</u>	<u>Number</u>
Takeout Structures	9
Potable Water Reservoirs	28
Potable Water Pump Stations	23
Pressure Reducing & Flow Control Facilities	17
Wastewater Lift Stations	17
Wastewater Treatment Plants	4
Water Reclamation (AWT) Facilities	2
Recycled Water Reservoirs	11
Recycled Water Pump Stations	9

Source: Moulton Niguel Water District.

Service Connections and Operating Indicators

Service Connections and Operating Indicators. The following table sets forth the number of service connections and operating indicators for the District for the past ten fiscal years.

Table 3
MOULTON NIGUEL WATER DISTRICT
Service Connections and Operating Indicators
Fiscal Years 2009-10 to 2018-19

Fiscal Year	Service Connections	Month of Peak Consumption	Peak Monthly Consumption (mgd)	Average Daily Consumption (mgd)	Daily Wastewater (mgd)	Takeouts
2009-10	54,144	August	34.20	26.15	14.6	14
2010-11	54,362	August	31.30	24.16	12.5	13
2011-12	54,533	August	34.31	24.43	13.4	13
2012-13	54,792	August	43.50	25.10	13.6	13
2013-14	54,899	July	35.30	25.58	11.9	13
2014-15	55,019	August	39.94	29.1	11.2	13
2015-16	54,849	June	31.66	24.75	11.2	13
2016-17	55,030	September	37.32	24.28	10.9	9
2017-18	55,067	September	35.44	26.28	10.8	9
2018-19	55,108	August	38.34	23.69	10.6	9

(1) mgd = millions of gallons per day
Source: Moulton Niguel Water District.

Water System

Potable Water Source. The District imports all of its potable water from MWD through its member agency, Municipal Water District of Orange County (“**MWDOC**”), a wholesale importer of water from MWD. The District is a customer 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. The majority of District potable water is treated at the Robert B. 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 “**AMP Pipeline**”). Starting in January 2017, the District receives approximately 9,000 acre feet per year of treated water through its capacity ownership of the regional partnership to construct the Baker Water Treatment Plant which is operated by Irvine Ranch Water District. See “– Treatment” below for additional information regarding the Robert B. Diemer Filtration Plant and the Baker Water Treatment Plant.

Transmission. The AMP Pipeline is a 27 mile, 416 cubic feet per second (“**cfs**”) pipeline constructed by MWDOC for the 11 original participants (including the District), which became operational in July 1981. Under a 1994 agreement among MWD, MWDOC and the participants, MWD agreed to purchase the AMP Pipeline. Since March 27, 1995, MWD has been responsible for the operation, improvement, repair, replacement and maintenance of the AMP Pipeline. MWD operates the AMP Pipeline on a “utility basis,” meaning that MWD is not obligated to observe original capacity allocations among the participating agencies, but may use the available capacity to deliver water to any service connections in amounts demanded, provided that MWD meets the participating agencies’ requests for deliveries and certain minimal hydraulic grade line and other requirements of the 1994 sales agreement, all subject to the availability of water. MWD is obligated to monitor supply demands of the participants on the AMP Pipeline, and as necessary, augment capacity to meet those needs at MWD’s expense.

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The District's 46 cfs Central Intertie Pipeline delivers additional water from the AMP Pipeline to other areas of the District through a connection to the South County Pipeline. MWD and the Santa Margarita Water District each own 50% of the South County Pipeline. The Santa Margarita Water District operates and maintains the South County Pipeline. The District receives imported water from the East Orange County Feeder #2 through the Joint Transmission Main, which is operated by the Joint Regional Water Supply System.

Currently, the District operates and maintains over 650 miles of domestic water transmission and 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 23 pump stations to pump water from lower pressure zones to the higher pressure zones and 17 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 provides additional local water system reliability.

Treatment

The District receives imported water treated from MWD's Robert B. Diemer Filtration Plant and the Baker Water Treatment Plant, which is operated by Irvine Ranch Water District. The only treatment that is performed by the District is supplemental chloramination at the reservoir sites to maintain the chloramine residual throughout its distribution system.

The Robert B. Diemer Treatment Plant is located on a hilltop in Yorba Linda. The plant distributes water via gravity-flow to areas of Los Angeles and Orange counties. The Diemer plant treats water from both the Colorado River Aqueduct and the State Water Project. The facility has a treatment capacity of 520 million gallons per day ("**mgd**").

The Baker Water Treatment Plant is a 28.1 mgd potable water treatment facility that receives untreated water via the Baker pipeline. The Baker Water Treatment Plant came online in January 2017 and provides a reliable local potable water supply in the event of emergency conditions or scheduled maintenance on the MWD treated water delivery system (Diemer Filtration Plant, Lower Feeder Pipeline, or AMP Pipeline). The Baker Water Treatment Plant provides approximately one-third of the treated potable water to the District. The Baker Water Treatment Plant is located in Lake Forest, and allows South Orange County to treat its own water when regional treatment plants shut down. See "– Transmission" above.

Source of Water

General. At present, approximately 80% of the District's water is obtained from MWD through MWDOC. In an average year, approximately 43% of the District's imported water supply is delivered via the State Water Project and the remaining 57% is delivered via the Colorado River Aqueduct. The District's remaining supply of water, totaling approximately 20% of the District's water, is recycled water. See "– Water System – Potable Water Source" and "– Recycled Water System." The following table shows the District's water supply by source for fiscal years 2009-10 through 2018-19.

Table 4a
MOULTON NIGUEL WATER DISTRICT
Historical Water Supply By Source
In Acre Feet
Fiscal Years 2009-10 through 2018-19

<u>Fiscal Year</u>	<u>Recycled Water</u>	<u>Recycled Water as % of Total Water Supply</u>	<u>Imported Water</u>	<u>Imported Water as % of Total Water Supply</u>
2009-10	7,925	21%	29,491	79%
2010-11	6,330	19	27,360	81
2011-12	6,697	19	28,047	81
2012-13	7,599	21	28,920	79
2013-14	8,247	22	29,516	78
2014-15	7,851	23	26,755	77
2015-16	6,554	22	23,497	78
2016-17	6,445	21	23,922	79
2017-18	7,009	21	25,950	79
2018-19	5,724	19	23,676	81

Source: Moulton Niguel Water District.

The following table describes the District's water purchases from MWDOC for fiscal year 2009-10 through 2018-19.

Table 4b
MOULTON NIGUEL WATER DISTRICT
Historical Water Purchases from MWDOC
In Acre Feet
Fiscal Years 2009-10 through 2018-19

<u>Fiscal Year</u>	<u>Amount Purchased</u>	<u>Average Purchase Price</u>
2009-10	29,491	\$683
2010-11	27,360	728
2011-12	28,047	771
2012-13	28,920	845
2013-14	29,516	870
2014-15	26,755	907
2015-16	23,497	929
2016-17	23,922	875
2017-18	25,950	926
2018-19	23,676	950

Source: Moulton Niguel Water District.

MWDOC. Orange County in general receives water from two sources. The large groundwater basin that underlies the northern half of the County provides approximately 75% of

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that area's needs. The Orange County Water District ("OCWD") manages the groundwater basin. The District has no rights in the OCWD basin.

South Orange County is dependent on imported water for approximately 95% of its water supply. MWDOC manages the imported water supply. The remaining 5% is provided by surface water, limited groundwater, and some water recycling. As previously described, the District meets approximately 20% of water demand in its service area with recycled water. See "– Recycled Water System."

The District has developed a Long Range Water Reliability Plan that provides a long-term strategy and management framework for enhancing overall water supply reliability. The water supply reliability alternatives include expansion of non-potable reuse, development of conjunctive use programs, groundwater banking and recharge, and ocean water desalination. The various supply alternatives will be implemented through an adaptive management approach that will systematically assess viability, timing, costs, and funding required. Project funding will be assessed as projects are developed and may include a combination of debt and cash reserves.

MWD. On June 6, 2019, MWD issued water revenue refunding bonds (the "2019 MWD Bonds"). In connection with the marketing of the 2019 MWD Bonds, MWD prepared an official statement dated May 29, 2019 (the "MWD Official Statement"). The MWD Official Statement includes a discussion of MWD's water source, current water conditions and conservation and water shortage measures in Appendix A, which is entitled "The Metropolitan Water District of Southern California". ***Although the District believes MWD is the best source of information about MWD's water sources and operational plans, and, therefore, encourages potential investors to review the MWD Official Statement, the District can provide no assurances as to the accuracy, completeness or timeliness of the MWD Official Statement.*** The MWD Official Statement is available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

Emergency Storage. The District has taken steps to increase its emergency water system reliability in the event of a disruption of service of imported water infrastructure. The District has established a target of providing 31 days of water supplies to its customers during both planned and unplanned service interruptions (and currently maintains approximately 24 days of water supply). As part of its efforts to achieve this goal, the District has partnered with other south Orange County water agencies to construct a number of water supply reliability improvement projects. One such project, the Upper Chiquita Reservoir in Rancho Santa Margarita, was completed in 2011, and can store up to 266 million gallons of emergency water. The District also owns 13 million gallons of capacity in the R-6 reservoir which was purchased in 2000 and is operated by El Toro Water District. The Baker Water Treatment Plant is another such project of the District. The Baker Water Treatment Plant was completed in October 2016 and came online in January 2017. See "THE SYSTEMS – Treatment" for additional information regarding the Baker Water Treatment Plant. The District has also worked with other water districts in the area to build interconnections, so that alternative means of delivering water will be possible. These interconnections have made it possible for the District, in emergency situations, to utilize alternative groundwater sources in north Orange County, which normally aren't available to the District.

Reliance on Imported Water and Water Reliability Strategy. Given that Southern California receives most of its water supply from MWD, the District has and anticipates continuing to support significant investments to promote the conveyance of water from the Bay-

Delta and the Colorado River. The District pays for the costs that MWD expends to import water from Northern California, whether or not it receives any. Therefore, the District's goal in reliability planning has not focused on being independent of imported water since the District is already obligated to pay for it, but instead focuses on identifying the best investments to complement imported water and support water reliability policies.

In particular, the District has invested over \$70 million in water system reliability projects since 2008, which has improved the ability of the District to provide service in times of emergency. Together, these projects have increased water supply availability during emergency periods from 1.5 days to 24 days. The District's Board adopted a policy to reach 31 days of reliability and is also engaged in evaluating and implementing a variety of future local water supply initiatives that are cost-effective, including the following:

- Expansion of the District's Recycled Water System. The District recently completed a Recycled Water Masterplan identifying upwards of 1,300 acre feet per year of existing irrigation accounts that could be cost-effectively converted to reliable recycled water accounts. The District is a leader in recycled water development, with 50 years of proven experience. See "– Recycled Water System" for information regarding the District's existing recycled water system.
- Partnership with Orange County Water District. The District has been actively working with the Orange County Water District to evaluate a potential pilot program to store water in its groundwater basin for emergency supplies that could ultimately benefit a variety of Orange County agencies. The Orange County Water District updated its Orange County Groundwater Basin Storage and Operational Strategy this year, and is working with the District on the pilot program studies being jointly conducted by the District and OCWD.
- Support of Ocean Water Desalination Projects. As part of the District's 2014 Long Range Water Reliability Plan, the District evaluated new desalination projects which were in various stages of planning at the time. A conceptual desalination project was evaluated and assumed to be developed at the Huntington Beach facility, which would provide the District with up to 2,000 acre feet per year. The supply would be delivered directly or "in-lieu" into the District's service area, providing both water supply and system reliability benefits. This project is currently in the conceptual evaluation stage for the District.
- Urban Run-off and Stormwater Diversions to Treatment Plants. Local cities and the County of Orange are faced with upwards of \$1 billion in new regulatory compliance costs associated with keeping unnatural flows away from local creeks and the ocean in South Orange County. The District is currently studying the potential to divert urban and storm flows into the excess wastewater treatment capacity owned by the District. These diversions would reduce compliance costs as well as provide a local new water supply source. In the Aliso Creek Watershed, the District is estimating that approximately 1,200 acre feet per year in new water supplies can be produced.
- Exploring Direct Potable Reuse Water Supply. The State of California recently released a framework to develop standards for direct potable reuse by 2023. The District has historically aggressively pursued the expansion of its recycled water system. However, after the remaining 1,300 acre feet of irrigation water demand is

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converted, the most cost-effective utilization of the District's remaining wastewater would be through direct potable reuse. The District is committed to working with the State and local agencies to explore the feasibility and cost-effectiveness of direct potable reuse, and implement it when possible. Successful implementation would provide approximately 3,000 acre feet per year of new, local potable water. The District is currently on the WaterReuse leadership team in California and active in potable reuse research through both WaterReuse and the Water Research Foundation. See "– Recycled Water System" for information regarding the District's existing recycled water system.

Drought and Response

General. The State recently experienced six consecutive years of below-average rain and snow, causing severe drought conditions in all 58 counties. On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. On March 27, 2015, Governor Brown signed emergency legislation that mandated reductions in residential use and expedited \$1 billion for drought and water infrastructure projects, including emergency food aid, drinking water, water recycling, conservation awareness, and flood protection.

Water year 2017 had above-average precipitation and snowpack, and on April 7, 2017, Governor Brown issued Executive Order B-40-17, officially ending the drought state of emergency in all California counties except Fresno, Kings, Tulare, and Tuolumne. However, there can be no assurance that drought conditions will not arise again, causing water rationing and adversely affecting property use and values.

As previously described, the District primarily receives its water from MWD, which purchases most of its water from MWD. MWD's principal sources of water are the State Water Project and the Colorado River, both of which are subject to drought conditions that in recent years have contributed to lower overall water deliveries to MWD. While MWD has indicated that it plans and manages its supplies to account for normal occurrences of drought conditions, recent conditions and court-ordered restrictions in connection with the State Water Project, including but not limited to restrictions due to the Federal and California Endangered Species Acts, have placed additional limitations on MWD's ability to obtain and deliver water supplies to its member agencies, including the District.

District Response. On August 15, 2014, the District submitted an alternate plan in response to State Water Resources Control Board's ("SWRCB") emergency drought regulations, which was approved by SWRCB. The District was one of only two water agencies in the State recognized by the SWRCB for having an effective rate structure and progressive conservation program, which they considered "superior" to the restricted outdoor watering mandates imposed by the State.

On February 19, 2015, the District adopted Ordinance 15-01 prescribing water conservation rules and regulations. The Ordinance set forth management standards for conservation and District responses to water shortages. In addition, the District's water budget-based rate structure is designed and intended to be a water demand management tool and to proportionately recover the costs of providing water service in the District. The District believes that its efforts in managing its water supply are best achieved through its water-based rate structure and the calculated water budgets provided to the District's customers.

In anticipation of the continuation of drought conditions and the SWRCB regulations that imposed water conservation measures and other restrictions on water use during the most recent drought, the District adopted its Water Shortage Contingency Plan and established various water use efficiency programs. As part of the Water Shortage Contingency Plan, beginning June 1, 2015, the District's customers were asked to remain in allotted water use budgets, and beginning July 1, 2015, were charged penalties for exceeding their allotted budgets. In addition, the District established water rate mechanisms that among other things were intended to maintain revenues despite decreased water usage, including increases in the monthly service charge, volumetric charge and water pass through adjustment. See “– Current Water Rates.”

Pursuant to Executive Order B-40-17, the emergency drought declaration was lifted, but prohibitions on wasteful practices were retained, and measures to implement permanent, long-term water conservation actions were advanced. In parallel, the California Department of Water Resources, the State Water Resources Control Board and other state agencies released their final report, “Making Conservation a California Way of Life.” The foundation of the framework is focused on using water more wisely, eliminating water waste, and strengthening local drought resilience. There continues to be a permanent ban on wasteful practices such as hosing down driveways, using non-recirculating water in a decorative water feature, and excessively watering lawns. Additionally, there is increased support for resources and technology that helps detect water leaks, which can prevent excessive water loss.

The State's plan to develop local water budgets further reinforces the approach that the District is taking to achieve water efficiency. Understanding the need to establish permanent, long-term water use efficiency, the District first implemented an innovative water budget-based rate structure in 2011, which encourages conservation by providing customers with calculated water budgets based on efficient indoor and outdoor usage. See “– Current Water Rates.”

Since the end of the drought, the District has taken a number of steps to reduce water demands in its service area. In particular, the District has developed additional water efficiency programs based on University of California, Riverside research, customer feedback, and the long term efficiency framework. Such programs include the District's Direct Install Smart Timer Program, and the NatureScape direct install turf removal program, each of which offer financial incentives or rebates to customers to replace timers or install native landscapes.

The District has also refined its rate structure and rescinded the Water Shortage Contingency Plan. In particular, in fiscal year 2016-17, the District amended the existing Water and Wastewater Capacity Charges to include Demand Offset Fees, consistent with California Government Code Section 66000 et. seq., to fund as-yet unknown, future water reliability and water use efficiency projects, programs, and capital improvement projects, in order to offset additional potable outdoor demand from new development that would otherwise impact existing supply reliability. Consistent with the rationale used to establish the District's Water Efficiency Fund, revenues from Demand Offset Fees are received and maintained in such fund as the fees are intended to offset the impact of incremental increases in potable water demands associated with new demands.

Additional steps taken by the District include transitioning bi-monthly commercial customers billing to monthly and expanding its pilot recycled water and potable irrigation advanced metering infrastructure project. Under the advanced metering infrastructure program, the District has installed automated meters at nearly 9,600 residential, commercial, and fire protection sites in its service area. The automated meters will help the District proactively detect

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water leaks, improve operations, and allow customers to monitor their water usage. Once fully implemented, the District expects to conserve nearly 2,000 acre-feet of water every year as a result.

Risk Factors. See “RISK FACTORS – Threat to Water Supply” for information about conditions that could adversely impact the availability of water to the District.

Water User Composition

The following table sets forth the number of metered accounts and metered water deliveries for the last five fiscal years.

Table 5
MOULTON NIGUEL WATER DISTRICT
Metered Accounts and Water Deliveries
Fiscal Years 2014-15 through 2018-19

<u>Fiscal Year ended June 30</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Metered Accounts					
Residential:	47,586	47,535	47,333	47,333	47,332
Commercial:	4,804	4,738	5,006	5,032	5,060
Irrigation:	1,338	1,286	1,313	1,294	1,291
Recycled:	1,257	1,247	1,356	1,369	1,380
Hydrant:	34	43	22	39	45
Total Metered Accounts:	55,019	54,849	55,030	55,067	55,108
Metered Water Deliveries (ccf)					
Residential:	8,121,286	6,971,132	7,037,805	7,502,233	6,905,559
Commercial:	1,055,828	1,209,002	1,151,593	1,187,557	1,132,174
Irrigation:	1,586,058	1,160,340	1,147,740	1,349,334	1,193,799
Recycled:	3,228,791	2,570,737	2,533,987	2,774,999	2,349,420
Hydrant:	11,538	1,874	1,069	2,967	4,223
Total Metered Water Deliveries:	14,003,501	11,913,085	11,872,194	12,817,090	11,585,175
Average Daily Water Consumption in Gallons/Metered Account:	522	445	442	477	431

Source: Moulton Niguel Water District.

Major Water Users

The 10 largest potable water users in fiscal year 2018-19 accounted for 3.87% of the District's annual potable water consumption. The table below shows the top 10 potable water users and their annual usage.

Table 6
MOULTON NIGUEL WATER DISTRICT
Ten Largest Users of Potable Water
Fiscal Year 2018-19⁽¹⁾

<u>Customer⁽²⁾</u>	<u>Type of Property</u>	<u>Total Water Sales</u>	<u>Percentage of Total Water Sales</u>
Soka University Of America	Private University	\$155,328	0.48%
City of Laguna Niguel	Parks, Slopes, Medians	154,706	0.47
Moritz Associates LLC	Multi-Family Residential	138,728	0.42
Mission Hospital Reg Med Ctr	Medical Facility	128,221	0.39
Hidden Hills Apts	Multi-Family Residential	118,949	0.36
Heather Ridge Condo Assn	Multi-Family Residential	118,760	0.36
Fpa-Reit Holdings LLC	Multi-Family Residential	114,799	0.35
Barcelona LLC	Multi-Family Residential	114,578	0.35
Bre Properties	Multi-Family Residential	110,870	0.34
Laguna Sur Villa	Multi-Family Residential	109,985	0.34
Total Water Sales—FY 2018-19		\$1,264,924	3.87%
		\$32,680,545	

(1) Unaudited.

(2) Multi-family residential units are billed to single property management companies, but treated as individual occupant units.

Source: Moulton Niguel Water District.

Projected Water Demand

The District believes the service area is largely built-out and, as a result, it does not anticipate significant increases in demand. The District updates its Urban Water Management Plan, as required by the State, every 5 years to determine if adequate supplies are available to meet projected demands. The most recent Urban Water Management Plan was prepared by the District in 2015. It includes a detailed review of system water use, a review of land use in cities within the District's service area, anticipated water supplies, and related considerations, including system losses. Based on the latest Urban Water Management Plan, the District believes that it has adequate supplies available to meet projected demands through 2040, even with a potential increase in dry year demands.

In August 2016, the City of San Juan Capistrano submitted an application to the Orange County Local Agency Formation Commission ("OC LAFCO") requesting a municipal services review focusing on the potential transfer of the City of San Juan Capistrano's water and wastewater facilities and operations to one or more public agencies. In response, OC LAFCO prepared a comprehensive report regarding the transfer of San Juan Capistrano's water and wastewater operations to another public agency. The report was formally adopted at OC LAFCO's October 2018 meeting. The report recommended the District as one of the agencies to be considered, because the District currently provides water and wastewater services within a portion of the City of San Juan Capistrano (in addition to delivering imported and recycled water to the City), its low water rates, its customer service, and financial capacity. The District conducted a preliminary analysis of the annexation which identified a mutual benefit to the San

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Juan Capistrano ratepayers and the District's existing customers though greater economies of scale and shared use of water infrastructure facilities. No formal action was ever taken by the District's Board of Directors with respect to a potential transfer of the City of San Juan Capistrano's water and wastewater facilities or operations of such facilities by the District. In February 2019, the City Council voted to enter into exclusive negotiations with one of the other agencies identified in the OC LAFCO report. The District's current Urban Water Management Plan as described above does not contemplate a potential annexation of the City of San Juan Capistrano's water and wastewater service area.

Current Water Rates

Water Budget-Based Rates. On April 21, 2011, the Board of Directors adopted Resolution 11-08, adopting a Water Budget-Based Rate Structure, which was modified on February 11, 2015, effective April 1, 2015, by adoption of Resolution 15-05, and further modified on December 11, 2017, by adoption of Resolution 17-25 (the "**2017 Rate Resolution**"), effective on such date. A water-budget based rate structure is seen as an equitable way to share limited water supplies because it prices water based on customers' willingness to pay and the desired level of aggregate consumption. Adoption of a revised rate structure requires compliance with the notice and public hearing requirements of Article XIID of the California Constitution. See "RISK FACTORS – Articles XIIC and XIID of the California Constitution." See also "APPENDIX G – Current Water Rates" and "APPENDIX I – Adopted Water and Wastewater Rates Resolution."

A case decided in the 4th District Court of Appeals found that the tiered pricing model of a neighboring city was not sufficiently cost justified, but that the Constitution does allow for tiered rates. The District believes its rates are distinguishable from those of the neighboring city and comply with the California Constitution. See "RISK FACTORS – Articles XIIC and XIID of the California Constitution – San Juan Capistrano Litigation."

The District's current rate structure for water service fees has five customer classes: single-family and multi-family residential, commercial, irrigation, recycled, and fire protection. The rate structure is comprised of two components: (1) a fixed monthly service charge; and (2) a variable volumetric water consumption charge (the "**Volumetric Charge**"), except for private fire protection accounts which are not charged for water used for the purpose of fire suppression.

Residential Customers. Residential customers' water budgets are calculated to meet the efficient demands of indoor domestic use as well as outdoor irrigation, and vary month to month based on localized weather data. More specifically, the indoor water budget is calculated based on three factors:

- 55 gallons of water per person, per day (the amount of water a person uses each day indoors).
- The number of people in the household.
- The number of days in the billing cycle.

The outdoor budget is based on three different factors:

- The amount of irrigated acreage per parcel.
- actual daily plant water loss ("evapotranspiration").

- A plant factor of 0.70 reflecting the water needs of native plants.

Commercial Customers. Commercial water budgets are calculated using a three-year rolling average of each commercial customer’s monthly use. For commercial customers with less than 3-years of data, the water budgets are calculated as follows: (a) for the first year, the customer’s budget is equal to water used; and (b) for the 2nd year, it is an average of current and the previous year’s usage in that month (e.g. December 2017 and December 2018).

Irrigation Customers. Irrigation water customers only have an outdoor water budget. Their water budgets are calculated based on three factors:

- The amount of irrigable area per parcel.
- Evapotranspiration.
- A plant factor of 0.70 (high traffic public space areas have a plant factor of 1.0).

Recycled Water Customers. Recycled water customers only have an outdoor water budget. Their water budgets are calculated based on three factors:

- The amount of irrigable area per parcel.
- Evapotranspiration.
- A plant factor of 0.80 (high traffic public space areas have a plant factor of 1.0).

MWDOC Pass Through Adjustments. The District anticipates that MWDOC will increase the rates of wholesale water that it sells and delivers to the District and may impose other charges on the District related to its wholesale water service. In developing its rates as set forth in the 2017 Rate Resolution, the District included projected increases in these costs as part of its long-range financial plan. To ensure that there are sufficient revenues to provide water services to customers, the District may annually pass through to customers any increases in the rates for wholesale water and any other charges that MWDOC imposes on the District that are greater than those projected in the District’s long-range financial plan (each a “**MWDOC Pass Through Adjustment**”).

In particular, under the 2017 Rate Resolution, the District is authorized to annually implement any MWDOC Pass Through Adjustment commencing January 1, 2018, through and including, the calendar year commencing January 1, 2022; provided, however, that: (1) any increase in the rates for water service fees as a result of any MWDOC Pass Through Adjustment shall not exceed 10% per year; (2) any MWDOC Pass Through Adjustment shall only affect the rates for the potable water Volumetric Charge set forth in the 2017 Rate Resolution; and (2) in no event shall such rates be increased as a result of a MWDOC Pass Through Adjustment by more than the cost of providing water service.

The District’s Volumetric Charges and MWDOC Pass Through Adjustment have been set by the District so as to only recover the marginal cost of water purchases. Accordingly, as water sales decrease, so does the District’s cost of water. This structure is intended to maintain net revenues despite decreased water usage.

See also “APPENDIX G – Current Water Rates” and “APPENDIX I – Adopted Water and Wastewater Rates Resolution.”

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Comparative Water Rates

Set forth in the following table is a comparison of the current water charges imposed by the District and water rates of neighboring agencies.

Table 7
MOULTON NIGUEL WATER DISTRICT
Comparative Monthly Water Charges
As of August 15, 2019

<u>Water District</u>	<u>Water Charges</u>
Laguna Beach County Water District	\$102.68
Mesa Water District	84.55
City of San Clemente	93.39
South Coast Water District	111.49
El Toro Water District	76.46
City of San Juan Capistrano	105.28
Trabuco Canyon Water District	58.91
Irvine Ranch Water District	53.37
Santa Margarita Water District	60.91
Moulton Niguel Water District	46.28

(1) Charges based on single-family residences using 16 ccf of water per month. For Laguna Beach County Water District, South Coast Water District, El Toro Water District, Irvine Ranch Water District and the District, all usage is assumed to be within the total water budget. The monthly meter charge is for the smallest size meter of each agency or city.
Source: Moulton Niguel Water District.

Wastewater System

The District maintains approximately 501 miles of wastewater pipelines ranging in size from 8 inches to 33 inches. The system has 17 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 mgd in four local wastewater treatment plants and is utilizing approximately 10.6 mgd of the total capacity of 22.7 mgd, or approximately 48% of its capacity.

The District is a member agency of SOCWA, which owns and operates three regional treatment plants, consisting of the J.B. Latham Treatment Plant, the Coastal Treatment Plant, and the Joint Regional Treatment Plant, and two ocean outfalls. SOCWA'S member agencies consist of three cities, six water districts, which include the District, and one service district. The District does not and will not use the Coastal Treatment Plant or renew its participation in the Coastal Treatment Plant upon its expiration in 2030.

The J.B. Latham Treatment Plant and associated ocean outfall facilities are located between the coastal communities of Dana Point and Capistrano Beach in the San Juan Creek Watershed. Wastewater is delivered from the District's collection system to the Dana Point treatment plant through an interceptor wastewater jointly owned by the District and the Santa Margarita Water District. The remaining two SOCWA wastewater treatment plants and ocean outfall facilities are 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.

The District also owns capacity in a fourth treatment facility, the Plant 3A Treatment Plant, with the Santa Margarita Water District providing contract operations services through March of 2019, after which the District assumed operation of the Plant 3A Treatment Plant.

The following table sets forth the volume of wastewater collected by the District in the preceding five fiscal years.

Table 8
MOULTON NIGUEL WATER DISTRICT
Annual Wastewater Flow
Fiscal Years 2014-15 through 2018-19

<u>Fiscal Year</u>	<u>Total Wastewater Flow (mg/Year)</u>	<u>Million Gallons per Day (mgd)</u>
2014-15	4,088	11.2
2015-16	4,088	11.2
2016-17	3,979	10.9
2017-18	3,942	10.8
2018-19	3,862	10.6

Source: Moulton Niguel Water District.

Wastewater User Composition

The table below sets forth the number of customer accounts and wastewater revenues for residential and commercial customers for the last five fiscal years.

Table 9
MOULTON NIGUEL WATER DISTRICT
Customer Accounts and Wastewater Revenues
Fiscal Years 2014-15 through 2018-19

<u>Fiscal Year, Ending June 30</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential:	46,748	46,862	46,848	46,854	46,830
Commercial ⁽¹⁾ :	3,615	3,801	3,793	3,811	3,808
Total Accounts:	50,363	50,663	50,641	50,665	50,638
Wastewater Service Revenues					
Residential:	\$12,050,590	\$13,256,898	\$14,283,045	\$15,848,211	\$17,569,583
Commercial ⁽¹⁾ :	4,910,441	5,731,159	5,934,807	6,839,551	7,966,386
Total Revenues⁽²⁾:	\$16,961,030	\$18,988,056	\$20,217,851	\$22,687,762	\$25,535,969

(1) Multi-family residential units are billed to a single property management company but treated as individual occupant units.

(2) Total wastewater service revenues shown above include receipts by the District for contract wastewater services provided to El Toro Water District and for wastewater services provided by South Coast Water District to the Laguna Sur, Monarch Point, and Seaview Summit communities, which are then remitted by the District to such other districts. See Table 10 and 18 for wastewater service revenues of the District excluding wastewater services provided to these districts.

Source: Moulton Niguel Water District.

Major Wastewater Users

The 10 largest wastewater users in fiscal year 2018-19 accounted for approximately 5.18% of the annual wastewater revenues. The table below shows the top 10 wastewater users and the annual revenues generated by each user.

Table 10
MOULTON NIGUEL WATER DISTRICT
Ten Largest Users of Wastewater Service
Fiscal Year 2018-19⁽¹⁾

<u>Customer</u>	<u>Type of Property</u>	<u>Total Wastewater Sales</u>	<u>% of Total Wastewater Sales</u>
Moritz Associates LLC	Multi-family Residential	\$240,914	0.95%
Barcelona LLC	Multi-family Residential	175,878	0.69
Heather Ridge Condo Assn	Multi-family Residential	127,974	0.50
Laguna Gardens Apartments	Multi-family Residential	123,077	0.48
Aliso Creek - Sares	Multi-family Residential	118,036	0.46
Shea Properties/City Lights	Multi-Family Residential	112,511	0.44
ERP Operating LP LN	Multi-Family Residential	111,000	0.44
Bre Properties	Multi-Family Residential	110,789	0.44
Aliso Meadows Condo Assoc	Multi-Family Residential	101,244	0.40
Alize at Aliso Viejo	Multi-Family Residential	98,670	0.39
Total Top 10		\$1,320,093	5.18%
Total Wastewater Sales for FY 2018-19		\$25,463,110	

(1) Unaudited

Source: Moulton Niguel Water District.

Current Wastewater Rates

The District's wastewater rate structure consists of three customer classes: single-family residential, multi-family residential, and commercial. Within the commercial customer class there are 4 subclasses of customers. The subclasses are classified based on the type of commercial activity and the constituents that they discharge into the wastewater system. Customers pay a basic service charge. Since the wastewater costs are primarily fixed and due to infrastructure maintenance and replacement, wastewater charges consist of a fixed monthly charge determined on the basis of the size of the meter serving a property. Single-family and multi-family residential wastewater rates consist of a fixed monthly charge based on the size of meter and a charge based on the number of people in the household.

The District's current wastewater rates were adopted pursuant to the 2017 Rate Resolution effective December 11, 2017 so that all revenue is collected via a fixed monthly service charge in order to recover all wastewater costs as fixed revenue based on customer type, the household population for residential customers and meter size.

The District anticipates that SOCWA will increase the rates of its wholesale wastewater treatment and disposal service fees that it imposes on the District. In developing its rates as set forth in the 2017 Rate Resolution, the District included projected increases in these costs as part of its long-range financial plan. To ensure that there are sufficient revenues to provide wastewater services, the District may annually pass through any increases in the rates in wholesale wastewater and any other charges that SOCWA imposes on the District that are

greater than those projected in its long-range financial plan (each a “SOCWA Pass Through Adjustment”).

Under the 2017 Rate Resolution, the District is authorized to annually implement any SOCWA Pass Through Adjustment commencing January 1, 2018, through, and including, the calendar year commencing January 1, 2022; provided, however, that: (1) any increase in the wastewater rates set forth in the 2017 Rate Resolution as a result of any SOCWA Pass Through Adjustment shall not exceed 10% per year; and (2) in no event shall such rates be increased by more than the cost of providing wastewater service.

The District believes the revised rate structure complies with the notice and public hearing requirements of Article XIID of the California Constitution. See “RISK FACTORS – Articles XIIC and XIID of the California Constitution.” See also “APPENDIX H – Current Wastewater Rates” and “APPENDIX I – Adopted Water and Wastewater Rates Resolution.”

Comparative Wastewater Rates

Set forth in the following table is a comparison of the current wastewater charges imposed by the District and wastewater charges of neighboring agencies.

**Table 11
MOULTON NIGUEL WATER DISTRICT
Comparative Monthly Wastewater Charges
As of August 15, 2019**

<u>Water District</u>	<u>Wastewater Charges</u>
City of Laguna Beach	\$60.67
City of San Clemente	44.56
South Coast Water District	56.33
El Toro Water District	24.30
City of San Juan Capistrano	25.56
Trabuco Canyon Water District	31.06
Irvine Ranch Water District	26.10
Santa Margarita Water District	44.58
Moulton Niguel Water District	28.80

(1) Charges based on single-family residences using 16 ccf of water per month and the smallest meter connection size.
Source: Moulton Niguel Water District.

Recycled Water System

In 1974, the District became one of the first water providers in Orange County to deliver recycled water for irrigation use. The District’s recycled water system currently consists of two Advanced Water Treatment (“AWT”) plants to treat wastewater and supply recycled water for landscaping, as well as approximately 150 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system. The District’s AWT plants have a collective capacity of 13.8 mgd and serve landscaped areas in the cities of Laguna Niguel, Mission Viejo, Dana Point, Laguna Hills, Aliso Viejo and San Juan Capistrano.

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In addition, the District has 1,000 acre feet 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 9 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 acre feet 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 mgd.

As previously described, the District recently completed its Recycled Water Master Plan and has identified recycled water as its highest priority alternative water supply source. The Recycled Water Master Plan is used to identify further opportunities to expand the system to new customers and the necessary infrastructure to support the expansion, as well as to encourage and open the door to regional cooperation and involvement. The Recycled Water Master Plan includes model development, supply and storage assessments, and identification of new recycled water users, along with all associated capital needs. In particular, the District has a goal to convert approximately 1,300 acre feet per year of potable irrigation to recycled water use over the next 20 years and continues to look for opportunities for highly treating the remaining wastewater to potable drinking standards.

Certain improvements identified in the Recycled Water Master Plan have been included in the District's current 10-year Capital Improvement Plan, including improvements to the District's recycled water pump stations. See "– Capital Improvement Plan."

Recycled Water Deliveries and User Composition

See "Water User Composition" above for information about recycled water deliveries and customer composition for the last five fiscal years.

Major Recycled Water Users

The 10 largest recycled water users accounted for 43.97% of the annual recycled water consumption in fiscal year 2018-19. The table below shows the top ten recycled water users and their annual recycled water usage.

Table 12
MOULTON NIGUEL WATER DISTRICT
10 Largest Users of Recycled Water
Fiscal Year 2018-19⁽¹⁾

<u>Customer</u>	<u>Type of Property</u>	<u>Total Recycled Water Sales</u>	<u>% of Total Sales⁽²⁾</u>
Aliso Viejo Comm Assn	Parks, Slopes, Medians	\$611,579	11.85%
City of Laguna Niguel	Parks, Slopes, Medians	374,201	7.25
City of Mission Viejo	Parks, Slopes, Medians	230,758	4.47
Mission Viejo Country Club	Golf Course	180,498	3.50
Marina Hills Pca	Parks, Slopes, Medians	162,314	3.14
Aliso Viejo Country Club	Golf Course	159,674	3.09
El Niguel Country Club	Golf Course	156,956	3.04
City of Laguna Hills	Parks, Slopes, Medians	154,223	2.99
Arroyo Trabuco Golf Club	Golf Course	133,798	2.59
City of San Juan Capistrano	Parks, Slopes, Medians	106,043	2.05
Top 10 Total:		\$2,270,044	43.97%
Total Recycled Water Sales for Fiscal Year 2018-19		\$5,161,153	

(1) Unaudited

Source: Moulton Niguel Water District.

Billing and Collection Procedures

The District combines water and wastewater charges on a monthly bill for residential customers. Recycled water and construction water are also billed on a monthly basis. Bills are due upon receipt. A delinquent message is included on the following month's bill if the previous balance is unpaid. Approximately 1.7% of the District customers receive the delinquent message due to unpaid balances. If bills are not paid within 15 days of the second billing, the customer will receive a mailed final notice invoicing the past due amount before water service is discontinued. If service is disconnected it will be reconnected upon payment of the delinquent bill as well as a reconnection fee of \$35 or \$50 if the reconnection is after 5:00 p.m.

Closed accounts are given 28 days to pay in full. If a closed account remains unpaid, a delinquent closing bill is mailed. Sixty days from the original closing bill date a closed account may be transferred into the collection process. The District's actual uncollectibles have amounted to less than 0.12%, or approximately \$67,000 per year over the last five years.

On September 28, 2018, Governor Brown signed Senate Bill 998 ("**SB 998**"), which imposes new restrictions on residential water service discontinuation when customers are delinquent in paying their water bills. SB 998 will impact existing practices, policies and procedures relating to delinquent accounts and discontinuation of water service by retail water purveyors. For urban and community water systems like the District, the requirements of SB

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998 will apply on and after February 1, 2020. Among other things, under SB 998: (i) water systems are required to adopt written discontinuation policies that are available in English, Spanish, Chinese, Tagalog, Vietnamese, Korean and any other language spoken by 10 percent or more people within the system's service area; (ii) imposes restrictions on the ability of water systems to discontinue residential water service under certain conditions; and (iii) limits certain low-income customers' reconnection fees to no more than \$50 during regular business hours, and \$150 during non-regular hours. The District anticipates updating its billing and collection policies to comply with SB 998 in 2019. Based on the District's history of billings, collections and delinquencies for the previous ten fiscal years as shown in the following table, the District does not anticipate that SB 998 will have a material adverse effect on the District's ability to pay Installment Payments when due.

Table 13
MOULTON NIGUEL WATER DISTRICT
Historical Billings, Collections and Delinquencies
Fiscal Years 2009-10 through 2018-19

<u>Fiscal Year</u>	<u>Balance Beginning FY</u>	<u>Billings</u>	<u>Payments</u>	<u>Balance Ending FY</u>	<u>Write-off</u>	<u>% of Billing</u>
2009-10	\$3,051,073	\$37,584,780	\$37,232,581	\$3,403,272	\$45,825	0.12%
2010-11	3,403,272	41,104,192	39,862,841	4,644,623	52,657	0.13
2011-12	4,644,623	49,766,022	49,423,883	4,986,762	61,286	0.12
2012-13	4,986,762	51,704,350	50,776,003	5,915,109	60,822	0.12
2013-14	5,915,109	52,795,710	53,606,871	5,103,949	85,183	0.16
2014-15	5,103,948	51,651,023	51,922,267	4,832,704	11,114	0.02
2015-16	4,832,704	53,993,901	53,935,343	4,891,262	120,822	0.22
2016-17	4,891,262	57,576,647	57,337,280	5,130,629	58,766	0.10
2017-18	5,130,629	60,771,136	60,539,107	5,362,658	71,154	0.12
2018-19 ⁽¹⁾	5,362,658	63,553,192	63,304,808	\$5,611,042	72,030	0.11

(1) Unaudited
Source: Moulton Niguel Water District.

Regulatory Issues

General. The District is not aware of any environmental or regulatory issues that would adversely impact its ability to deliver water.

Drinking Water. The applicable drinking water standards for the District's potable water system are provided in the California Domestic Water Quality and Monitoring Regulations, Title 22 of the California Administrative Code. These regulations incorporate the requirements of the U.S. Environmental Protection Agency in conformance with the Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location as well as maximum concentrations of chemical constituents and are continuously revised and amended.

The District operates under a Water Supply Permit issued by the State of California, Department of Health Services.

Recycled Water. The District's recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by the United

States Environmental Protection Act, the California Water Code and regulations promulgated by the California Department of Health Services. On February 3, 2009, the SWRCB adopted a statewide Recycled Water Policy to support increased sustainable local water supplies by increased production and use of recycled water. The policy also outlines recycled water quality control measures, which, among other requirements, mandated the implementation of regional salt nutrient management plans by 2014, as well as the regular monitoring of certain constituents in recycled water.

Specifically, the District operates pursuant to “Waste Discharge and Water Recycling Requirements for the Production and Purveyance of Recycled Water by Member Agencies of the South Orange County Reclamation Orange Authority, Orange County,” imposed by Order No. 97-52 of the California Regional Water Quality Control Board, San Diego Region (Region 9) (as addended). The Order establishes waste discharge and water recycling requirements applicable to the District as a member agency SOCWA, which is the successor entity to the South Orange County Reclamation Authority. Order No. 97-52 establishes requirements for the production and use of recycled water produced by the advanced wastewater treatment facilities owned by the District at the SOCWA Joint Regional Plant and the 3A Plant. Order No. 97-52 has no express expiration date, although the general policy of Region 9 for recycled water orders is approximately 15-year renewals. In light of the 2009 SWRCB Recycled Water Policy requirements, it may be longer before Region 9 requires revisions to the Order.

Wastewater System. Regulatory requirements applicable to the Wastewater System are contained in or imposed by regulation pursuant to the Federal Water Pollution Control Act, as amended, and the State of California Porter Cologne Water Quality Control Act of 1969, as amended. Both federal and State regulations are administered through the Regional Water Board. The District is not aware of any environmental or regulatory issues that would adversely impact its ability to provide wastewater service.

The waste discharge requirements applicable to the Wastewater System are a product of the following:

(i) Waste discharge requirements described above in “Recycled Water.”

(ii) “Waste Discharge Requirements for the South Orange County Wastewater Authority - Discharge to the Pacific Ocean Via the San Juan Creek Ocean Outfall,” imposed by Order No. R9-2012-0012/NPDES No. CA0107417 of the California Regional Water Quality Control Board, San Diego Region (Order 2012-0012). (Order 2012-0012) governs discharge of municipal wastewater treatment plant effluent, waste brine and dry weather nuisance discharges by SOCWA from the San Juan Creek Ocean Outfall. The Order expired on May 31, 2017, but remains in effect until the issuance of a new permit. The District is a member of SOCWA. The San Juan Creek Ocean Outfall receives treated effluent from the District’s 3A Treatment Plant. The 3A Treatment Plant is a conventional activated sludge treatment facility. Secondary effluent is directed to an on-site advanced water reclamation facility for further treatment or is discharged through the San Juan Creek Ocean Outfall via the 3A Effluent Pipeline, which is jointly owned by the District and the Santa Margarita Water District, which connects to the Santa Margarita Water District’s Chiquita Land Outfall. The design capacity for treatment is 6.0 mgd. The San Juan Creek Ocean Outfall also receives treated effluent from SOCWA’s Jay B. Latham Plant in Dana Point, which treats raw wastewater generated in the District’s and other SOCWA member agencies’ service areas that overlie the San Juan

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Creek watershed. An average of 9.9 mgd of secondary treated wastewater from the Jay B. Latham Plant is discharged to the San Juan Creek Ocean Outfall.

(iii) “Waste Discharge Requirements for the South Orange County Wastewater Authority - Discharge to the Pacific Ocean Via the Aliso Creek Ocean Outfall,” imposed by Order No. R9-2012-0013/NPDES No. CA0107611 of the California Regional Water Quality Control Board, San Diego Region (Order 2012-0013). (Order 2012-0013) governs discharge of treated municipal wastewater, treated groundwater and waste brine by the SOCWA from the Aliso Creek Ocean Outfall. The Order expired on May 31, 2017, but remains in effect until the issuance of a new permit. The District is a member of SOCWA. The Aliso Creek Ocean Outfall receives treated effluent from the SOCWA Joint Regional Treatment Plant (“**JRTP**”), which is owned by SOCWA and treats raw wastewater generated in the District’s service area. A portion of the secondary effluent is reclaimed for irrigation through the District’s recycled water facilities at the JRTP. The treatment capacity of the JRTP is 12 mgd. An average of 2.8 mgd of secondary treated wastewater is discharged to the Aliso Creek Ocean Outfall.

Air Emissions Permits. The District operates pursuant to a variety of permits from the South Coast Air Quality Management District.

Capital Improvement Program

Capital Improvements. The District maintains a 10-year capital improvement plan (the “**Capital Improvement Plan**”), which is revised every year in connection with the District’s budget. The 2019-20 Capital Improvement Plan includes approximately \$533 million in capital projects over the next ten years. The 2019-20 Capital Improvement Plan includes projects associated with the rehabilitation, replacement, and improvements to the District’s potable water, recycled water and wastewater facilities. The 2019-20 Capital Improvement Plan also includes new projects to meet ongoing service level expectations such as a pipeline replacement program to invest in the District’s aging infrastructure and Recycled Water extension projects recommended by a recent Recycled Water Optimization Study. Moreover, approximately \$141 million or 26% of the planned expenditures are associated with the District’s participation in SOCWA and JRWSS.

The District expects to fund the projects outlined in the Capital Improvement Plan with a combination of existing and future indebtedness, excess revenues and cash on hand. The District anticipates future indebtedness will include approximately \$70,000,000 in certificates of participation executed and delivered in 2022.

Replacement and Refurbishment. The District has a Replacement and Refurbishment planning model (also referred to as the District’s Asset Management Plan) for the District’s facilities and equipment. The purpose of the Asset Management Plan is to: (1) inventory and account for all of the District’s assets; (2) measure the true cost of asset ownership; (3) plan for the systematic replacement or refurbishment of District assets; and (4) develop meaningful financial planning for targeted investment decisions and better risk management.

The Asset Management Plan calculates the replacement and refurbishment costs and expenditure schedule based on the assumption that expenditures take place during the year indicated by the end of the useful lives of the assets. The expenditure may be incurred over two or three years, or replacement of an asset may be expedited or delayed, depending on need, funding availability, and staff time. SOCWA expenditures for replacement and refurbishment

comprise a significant portion of the District's replacement and refurbishment expenditures. However, District staff has considerable input on SOCWA's expenditures, as a result of its participation at SOCWA.

Replacement and Refurbishment expenditures will be funded from the Replacement and Refurbishment Fund, which was established July 1, 2005 with an initial balance of \$20,610,032. As of June 30, 2019, the balance in the Replacement and Refurbishment Fund was \$3,025,764. The District annually transfers available funds from its operating reserve as part of the annual budget process to fund capital projects.

PROPERTY TAX REVENUES

Pledge of Property Tax Revenues

As previously described, Net Revenues consist of Revenues less Maintenance and Operation Expenses. "Revenues" consist of (i) Operating Revenues, (ii) Non-Operating Revenues, and (iii) the earnings on, and income derived from, the investment of Operating Revenues and Non-Operating Revenues. Non-Operating Revenues include, among other revenues, Property Tax Revenues.

See "RISK FACTORS – Property Taxes" for a discussion of certain factors that could impact the availability of Property Tax Revenues.

Property Tax Limitations; Article XIII A of the California Constitution

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children.

Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in

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the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for fiscal year 1978-79, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

The apportionment of property taxes in fiscal years after fiscal year 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$4.00 per \$100 assessed valuation) and the bonded debt tax rate.

Effective as of fiscal year 1981-82, assessors in California no longer record property values in the tax rolls at the assessed value of 25% of market values. All taxable property is shown at full market value (subject to a 2% annual limit in growth so long as property is not sold). In conformity with this change in procedure, all taxable property value included in this Official Statement is shown at 100% of market value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for bond service and pension liability are also applied to 100% of market value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, annual inflationary value growth of up to 2%) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method as described under "– Unitary Property" below.

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured properties are entered on separate parts of the assessment roll maintained by the county assessor.

The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens.

A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts an order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1 ½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due August 1 and become delinquent August 31.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the tax lien date. To the extent such supplemental assessments occur within the District, Tax Revenue may increase.

Property Tax Administration Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis.

Unitary Property

Commencing in fiscal year 1988-89, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with fiscal year 1988-89, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property ("**Unitary Revenues**").

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The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction's Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

However, legislation adopted in 2006 (SB 1317, Chapter 872) and taking effect with fiscal year 2007-08 required counties to transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies no longer share in the distribution.

Assessment Appeals

An assessee of locally assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("SBE"), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Under Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value under Section 51(b), commonly referred to as Proposition 8 reductions, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years following a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value. Additionally, successful appeals regarding property on the unsecured rolls does not necessarily affect the valuation of such property in any succeeding fiscal year.

Utility companies and railroads may contest the taxable value of utility property to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE.

The actual valuation impact to the District from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction.

Historical Assessed Values

Set forth in the following table is a summary of historical net taxable assessed values in the District for fiscal years 2009-10 through 2018-19.

Table 14
MOULTON NIGUEL WATER DISTRICT
Historical Assessed Values

Fiscal Year	<u>Local Secured</u>	<u>Unsecured</u>	Total Net Taxable Assessed Value
2009-10	\$27,340,530,384	\$765,923,112	\$28,106,453,496
2010-11	27,280,579,862	787,072,832	28,067,652,694
2011-12	27,437,234,200	695,202,815	28,132,437,015
2012-13	27,767,123,179	692,310,136	28,459,433,315
2013-14	28,461,739,099	711,124,613	29,172,863,712
2014-15	30,458,894,060	737,276,378	31,196,170,438
2015-16	32,067,117,890	699,682,304	32,766,800,194
2016-17	33,484,533,428	701,784,799	34,186,318,227
2017-18	35,062,345,376	734,738,680	35,806,084,056
2018-19	36,859,968,821	704,428,797	37,564,397,618

Source: HdL Coren & Cone; Orange County Assessor's Office.

Set forth in the following table is a break-down of fiscal year 2018-19 net assessed value based on land use.

Table 15
MOULTON NIGUEL WATER DISTRICT
Historical Net Taxable Assessed Values by Land Use
Fiscal Year 2018-19

<u>Land Use</u>	<u>Net Taxable Assessed Value</u>
Residential	\$31,819,007,527
Commercial	4,130,880,234
Industrial	661,158,153
Vacant/Other	953,351,704
Total	\$37,564,397,618

Source: HdL Coren & Cone; Orange County Assessor's Office.

Principal Taxpayers

The following table sets forth the ten principal local secured taxpayers within the District for fiscal year 2018-19, based on the most recent data received from the County.

Table 16
MOULTON NIGUEL WATER DISTRICT
10 Largest Fiscal Year 2018-19 Local Secured Taxpayers

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Fiscal Year 2018-19 Assessed Valuation</u>	<u>% of Total</u>
Sequoia Equities	Residential	\$257,930,376	0.69%
Shops at Mission Viejo LLC	Commercial	207,990,232	0.55
Moritz Associates LLC	Residential	204,000,000	0.54
Barcelona LLC	Residential	179,520,000	0.48
Vantis Multifamily LLC	Residential	146,286,538	0.39
HTA-Mission Mob LLC	Commercial	142,798,976	0.38
Microvention Inc	Commercial	125,132,483	0.33
Vista Bella Apartments AV LLC	Residential	121,992,861	0.32
Mission Hospital Regional Medical Ctr	Commercial	119,499,026	0.32
Enterprise Office Owner LLC	Commercial	119,469,735	0.32
Top Ten Total		\$1,624,620,227	4.32%

Source: Moulton Niguel Water District.

Rate of Collections

The following table details the property tax delinquency rate in the District as of June 30 of the listed fiscal years.

Table 17
MOULTON NIGUEL WATER DISTRICT
Historical Property Tax Levies and Collections
Fiscal Years 2008-09 through 2017-18

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Year Collections ⁽¹⁾</u>	<u>Delinquencies Collected in Current Year</u>	<u>Delinquency Rate</u>
2008-09	\$22,245,697	\$21,285,866	\$721,593	4.31%
2009-10	21,679,649	20,656,502	968,078	4.72
2010-11	21,638,200	20,835,460	511,337	3.71
2011-12	22,143,993	20,666,470	475,230	6.67
2012-13	22,511,515	21,304,598	555,032	5.36
2013-14	22,890,247	22,311,794	211,474	2.53
2014-15	24,520,773	23,957,232	54,284	2.30
2015-16	25,996,107	25,252,413	45,652	2.86
2016-17	27,121,477	26,200,549	233,561	3.40
2017-18	28,757,033	27,873,354	52,879	3.07

(1) Collections from prior years does not include penalty revenue

Source: Moulton Niguel Water District.

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 Property Tax Revenues based on actual collections and any penalties and interest due as a result of delinquencies.

HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

Historical Debt Service Coverage

The following table presents historical debt service coverage.

Table 18
MOULTON NIGUEL WATER DISTRICT
Historical Debt Service Coverage
Fiscal Years Ended June 30, 2015 through June 30, 2019

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19 ⁽¹⁾
Operating Revenue:					
Water charges	\$28,604,894	\$29,812,128	\$32,149,585	\$32,317,988	32,680,545
Recycled water charges	4,880,742	4,850,326	5,030,973	5,597,493	5,161,153
Sanitation charges	16,182,197	18,963,978	20,156,723	22,623,626	25,463,110
Other	329,755	415,565	417,705	468,673	644,182
Total Operating Revenue	49,997,588	54,041,997	57,754,986	61,007,780	63,948,990
Non-Operating Revenues (Expenses):					
Connection fees	551,179	1,046,335	331,393	649,528	200,375
Cellular lease income	1,731,352	1,623,544	1,772,941	1,897,765	1,769,978
Interest income	2,624,306	4,139,084	(438,180)	(8,721)	6,067,367
Intergovernmental Revenue	6,401,510	3,382,555	1,670,403	1,335,648	1,342,824
Other contributions	294,000	314,510	771,932	1,114,375	2,994,085
Other non-operating revenues	3,661,818	(9,718)	126,847	252,021	78,189
Other non-operating expenses	--	--	(85,430)	(84,765)	(2,943,447)
Property Tax Revenues	24,011,516	25,298,065	26,434,110	27,926,233	29,110,656
Total Non-operating Revenues	39,275,681	35,794,375	30,584,016	33,082,084	38,620,027
Total Revenues	89,273,269	89,836,372	88,339,002	94,089,864	102,569,017
Maintenance and Operation Expenses:					
Source of supply	28,610,139	26,357,342	26,681,334	29,446,569	25,879,882
Pumping water	2,596,544	3,177,393	1,629,215	1,656,773	2,108,350
Sewage treatment	9,519,199	10,705,495	11,452,080	11,733,752	12,221,043
Water transmission and distribution	959,193	1,341,220	1,546,693	1,226,775	2,048,008
Customer service	2,839,137	3,047,070	3,094,606	3,346,966	3,413,313
Water efficiency	3,472,838	6,749,664	4,037,455	3,448,360	4,335,962
General, administrative and other	15,063,120	15,335,813	18,609,042	20,674,477	21,399,971
Total Maintenance and Operation Expenses	63,060,170	66,713,997	67,050,425	71,533,672	71,406,529
Net Revenues	\$26,213,099	\$23,122,375	\$21,288,577	\$22,556,192	31,162,488
Debt Service (Excluding GO Bonds)					
Parity Obligations					
CIEDB 01	118,333	118,053	117,765	117,469	117,166
CIEDB 02	80,406	80,222	80,032	79,836	79,634
2009 COPs	4,098,976	4,098,976	4,098,976	4,098,976	4,098,976
2003 COPs	726,000	--	--	--	--
2010 COPs	1,971,700	1,966,800	1,969,100	1,963,500	--
2015 Bonds	--	444,606	613,250	613,250	2,373,125
Prior Government Loans					
DWR Loan	307,854	153,927	--	--	--
SRF Loan C-06-4150-110	497,342	497,342	497,342	497,342	--
SRF Loan C-06-4150-120	1,184,595	1,184,595	1,184,595	1,184,595	1,184,595
SRF Loan C-06-4150-130	319,221	319,221	319,221	319,221	319,221
Total Debt Service	\$9,304,427	\$8,863,742	\$8,880,281	\$8,874,189	8,172,716
Debt Service Coverage Ratio	2.82	2.61	2.40	2.54	3.81

(1) Unaudited

Source: Moulton Niguel Water District.

Projected Debt Service Coverage

The following table shows the calculation of the debt service coverage ratios estimated for fiscal years 2019-20 through 2023-24. The debt service coverage ratio is calculated by dividing annual Net Revenues by annual debt service for Prior Parity Obligations and the Installment Payments. The following table incorporates the estimates and projections for Net Revenues shown in the previous table.

Net Revenues are Revenues less Maintenance and Operation Expenses. Revenues include (1) Operating Revenues generated from potable water, recycled water, and wastewater services; (2) Non-Operating Revenues, including Property Tax Revenues, rents, insurance and condemnation proceeds and other income; and (3) income earned on investments. Maintenance and Operation Expenses include the expenses to maintain, operate, repair, and manage the utility systems. Capital project expenditures, debt service, and depreciation are excluded from Maintenance and Operation Expenses for the purpose of the debt service coverage calculation.

Table 19
MOULTON NIGUEL WATER DISTRICT
Projected Debt Service Coverage⁽¹⁾
Fiscal Years Ended June 30, 2020 through June 30, 2023

	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
Operating Revenue:					
Water charges	\$31,512,227	\$32,453,759	\$33,301,849	\$34,289,522	\$35,502,464
Recycled water charges	6,438,316	6,694,582	7,021,440	7,414,899	7,870,670
Sanitation charges	24,065,352	25,433,620	26,877,513	28,229,754	29,408,064
Other	519,689	519,689	519,689	519,689	519,689
Total Operating Revenue	62,535,584	65,101,649	67,720,491	70,453,863	73,300,887
Non-Operating Revenues (Expenses):					
Connection fees	384,339	64,032	140,316	140,316	140,316
Cellular lease income	1,800,265	1,870,512	1,943,515	2,019,384	2,098,232
Interest income	2,161,925	1,977,730	1,927,319	2,101,257	1,745,867
Intergovernmental Revenue	-	-	-	-	-
Other non-operating revenues	260,587	260,587	260,587	260,587	260,587
Other non-operating expenses	(98,049)	(100,010)	(102,011)	(104,051)	(106,132)
Property Tax Revenues	28,599,883	29,580,859	30,595,482	31,473,572	32,376,864
Total Non-operating Revenues	33,108,950	33,653,709	34,765,208	35,891,065	36,515,734
Total Revenues	95,644,534	98,755,358	102,485,699	106,344,928	109,816,621
Maintenance and Operation Expenses:					
Source of supply	31,170,943	31,997,876	32,810,768	33,627,950	34,514,242
Pumping water	2,117,404	2,197,189	2,273,784	2,350,466	2,426,020
Sewage treatment	11,128,774	11,353,047	11,745,425	11,981,233	12,215,694
Water transmission and distribution	1,050,000	1,071,000	1,092,420	1,114,268	1,136,554
Customer service	3,959,887	4,191,943	4,402,324	4,611,353	4,814,165
General, administrative and other	23,373,173	23,872,073	24,690,138	25,822,190	26,664,527
Total Maintenance and Operation Expenses	72,800,181	74,683,129	77,014,859	79,507,460	81,771,203
Net Revenues	22,844,353	24,072,229	25,470,840	26,837,469	28,045,418
Debt Service (Excluding General Obligation Bonds)					
Parity Obligations					
CIEDB 01	4,497	-	-	-	-
CIEDB 02	3,520	-	-	-	-
2015 Bonds	2,370,625	2,368,500	2,361,625	2,359,750	2,357,500
2019 Bonds ⁽²⁾	2,430,250	2,430,250	2,430,250	2,430,250	2,430,250
2019 Certificates	810,376	3,374,875	3,536,625	3,532,375	3,535,875
2022 COPs ⁽³⁾			-	3,805,993	3,805,993
Prior Government Loans	--	--	--	--	--
SRF Loan C-06-4150-120	1,184,595	-	-	-	-
Total Debt Service	6,803,863	8,173,625	8,328,500	12,128,368	12,129,618
Debt Service Coverage Ratio	3.36	2.95	3.06	2.21	2.31

(1) Debt service coverage calculations omit rate revenues and expenses associated with the District's water efficiency fund.

(2) The District's prepayment on October 4, 2019 of the CIEDB Agreements and the Prior Governmental Loan triggered the automatic transfer of amounts previously on deposit in the 2019 Bonds Reserve Fund totaling approximately \$_____ to the 2019 Bonds Debt Service Fund to pay scheduled debt service on the 2019 Bonds. The debt service in Table 19 for the 2019 Bonds is shown in full; it is not net of the foregoing transfer from the 2019 Bonds Reserve Fund to the 2019 Bonds Debt Service Fund.

(3) Represents COPS anticipated to be delivered in 2022.

Source: Moulton Niguel Water District.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Certificates involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Certificates. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Demand and Usage

There can be no assurance that the local demand for services provided by the Systems will continue according to historical levels. In addition, in recent years, the State of California experienced a significant drought that resulted in severe impacts to California's water supplies and its ability to meet all the demands for water in the State. The District cannot predict if and when drought conditions may return or what effect drought conditions and any voluntary or mandatory conservation measures may have on the revenues of the System. However, as previously described, the District's Volumetric Charges and pass through adjustments have been set by the District so as to only recover the marginal cost of water purchases. Accordingly, as water sales decrease, so does the District's cost of water. This structure is intended to maintain revenues despite decreased water usage. This flexibility allows the District to focus conservation efforts without concern for the financial impacts of decreased water sales. See "THE SYSTEMS – Current Water Rates."

Expenses

There can be no assurance that the District's Maintenance and Operation Expenses and capital expenses, including those payment obligations arising as a result of the District's participation in joint powers authorities or its shared ownership or capacity rights in facilities owned by other local agencies, will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses and increased regulatory requirements would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Property Taxes

The amount of property tax revenues received by the District is dependent upon assessed values and property tax collections in the District. Decreases in assessed values (whether as a result of assessment appeals or otherwise) and increased property tax delinquencies will result in reduced Property Tax Revenues.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the 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, provided 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

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sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited 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 had to be approved by two-thirds of both houses of the Legislature.

Proposition 1A provided, 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 proclaimed that the shift is needed due to a severe state financial hardship, the shift was approved by two-thirds of both houses and certain other conditions were met. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 22. Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

The District can provide no assurances that future action of the Legislature or the voters will not reduce or eliminate the amount of Property Tax Revenues available to the District.

Parity Obligations; Governmental Loans

Although the District has covenanted not to issue additional obligations payable from Net Revenues that are senior to the Installment Payments, the Installment Sale Agreement permits the issuance by the District of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Installment Payments and the Prior Parity Obligations (see “SECURITY FOR THE CERTIFICATES – Prior Parity Obligations; Limitations on Parity Obligations and Superior Obligations” in this Official Statement). The District is also authorized to incur Governmental Loans, which would be payable from Governmental Loans Pledged Revenues on a parity with the Installment Payments and the Prior Parity Obligations. See “SECURITY FOR THE CERTIFICATES –Limitations on Government Loans.”

These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Installment Payments will be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Installment Payments and such additional indebtedness.

Threat to Water Supply

In 2015, California emerged from one of the worst droughts in its recorded history. The District primarily receives its water from MWD, which purchases most of its water from

MWD. MWD's principal sources of water are the State Water Project and the Colorado River, both of which are subject to drought conditions that in recent years have contributed to lower overall water deliveries to MWD. While MWD has indicated that it plans and manages its supplies to account for normal occurrences of drought conditions, recent conditions and court-ordered restrictions in connection with the State Water Project, including but not limited to restrictions due to the Federal and California Endangered Species Acts, have placed additional limitations on MWD's ability to obtain and deliver water supplies to its member agencies, including the District. MWD reports that it may obtain supplies to meet demands during water supply shortages by, among other things, drawing on its stored water supplies and pursuing additional water transfers. MWD further reports that if MWD anticipates that water supplies will be insufficient to meet demands, MWD may allocate available supplies among its member agencies pursuant to its Water Supply Allocation Plan. The District cannot provide any assurance that such any supplies to the District in the event of any such events will be sufficient to meet demand.

Natural Disasters

The District, like all southern California communities, is subject to unpredictable seismic activity, fires or floods. If there were a severe seismic, flood or fire event in the District, there could be substantial damage to and interference with the District, its Systems and its customers, which could affect the District's ability to pay the Installment Payments.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. Much of District's potable and wastewater pipeline systems are in very high fire hazard areas. If wildfires were to substantially damage or destroy such systems, the District's ability to pay the Installment Payments could be affected. In an effort to mitigate some of the impact of damage to the District's potable and wastewater pipeline systems from wildfires, the District maintains redundant interconnections and multiple points to import water to major transmission mains that are anticipated to provide the District with the ability to continue to deliver water to customers in its service area and to be used by firefighting personnel to combat fires in the District's service area. In addition, the District participates in a regional multi-jurisdictional hazard mitigation plan, which is updated regularly, and the Water Emergency Response Organization of Orange County to coordinate regional natural disasters planning. Lastly, the District has established an Emergency Reserve to provide available cash before reimbursement from FEMA in the event of a natural disaster.

In addition, in the event taxable property within the Service Area were destroyed by wildfires, the assessed valuation of such property would be reduced. Such reduction of assessed valuations could result in a reduction of Property Tax Revenues and therefore, Net Revenues available to pay the Installment Payments.

Potential Impact of Climate Change

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The issue of climate change has become an important factor in water resources planning in the State. There is evidence that increasing concentrations of greenhouse gases have caused and will continue to cause a rise in temperatures around the world, which will result in a wide range of changes in climate patterns. Moreover, there is evidence that a warming trend occurred during the latter part of the 20th century and will likely continue through the 21st century. These changes will have a direct effect on water resources in the State, and numerous studies on climate and water in the State have been conducted to determine the potential impacts. Based on these studies, global warming could result in the following types of water resources impacts in the State, including impacts on the District:

- Changes in the timing, intensity, and variability of precipitation, and an increased amount of precipitation falling as rain instead of as snow,
- Long-term changes in watershed vegetation and increased incidence of wildfires that could affect water quality,
- Sea level rise and an increase in saltwater intrusion,
- Increased water temperatures with accompanying adverse effects on some fisheries,
- Increases in evaporation and concomitant increased irrigation need, and
- Changes in urban and agricultural water demand.

However, other than the general trends listed above, there is no clear scientific consensus on exactly how global warming will quantitatively affect the State's water supplies.

Insurance

The Installment Sale Agreement obligates the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the System in the event of damage or destruction to such portion of the System. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the System. Significant damage to the Water System could cause the District to be unable to generate sufficient Net Revenues to pay principal of and interest on the Certificates.

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018, NOTES TO BASIC FINANCIAL STATEMENTS, Note 11, Risk Management" for further information.

Articles XIIC and XIID of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID 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, the so-called “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 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.”

Property-Related Fees and Charges. Under Article XIII D, before a public agency 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 public agency 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 public agency 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.

Initiative and Referendum Powers. In addition, Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Moreover, Article II, section 9, subdivision (a) states, “[t]he referendum is the power of the electors to approve or reject statutes or parts of statutes except urgency statutes, statutes calling elections, and statutes providing for tax levies or appropriations for usual current expenses of the State.” In *Wilde v. City of Dunsmuir*, involving a plaintiff that sought to challenge the City of Dunsmuir’s water rate master plan, the Court of Appeal of California, Third

Appellate District, held that Proposition 218 does not curtail the voters' referendum powers under Article II to challenge local resolutions and ordinances. In addition, the Court rejected the City's allegation that its rate schedule was not subject to referendum under the "essential government service exception" to the voter's referendum power. In general, referendum that would preclude the functioning of essential government services is not permissible. *Hunt v. Mayor and Council of City of Riverside (1948) 31 Cal.2d 619, 628-29*. But the Court held that the City of Dunsmuir's water rate schedule did not affect the functioning of essential government services.

Judicial Interpretation of Article XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, wastewater and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at

a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Compliance by the District with Article XIIC and Article XIID. The District believes its water and wastewater service charges do not constitute a “tax” under Article XIIC. The District believes its connection fee is not a “tax” as defined by Proposition 26 because it is a charge to a landowner that is imposed (typically as a condition of property development) for a specific service and does not exceed the reasonable costs of conferring the service.

The District will continue to comply with the provisions of Articles XIIC and XIID and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

As described in “SECURITY FOR THE CERTIFICATES,” the District will pay the Installment Payments and the Prior Parity Obligations from Net Revenues, which include Non-Operating Revenues. Non-Operating Revenues include, among other revenues, Property Tax Revenues. As described above, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the District may not use such fee or charge for any purpose other than that for which it imposed the fee or charge.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn and Wilde v. City of Dunsmuir* cases, local voters could adopt an initiative or referendum measure that reduces or repeals the District’s rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

San Juan Capistrano Litigation. In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of San Juan Capistrano, which charges higher rates to customers who use more water, violates Proposition 218. The City appealed the decision, to the 4th District Court of Appeal, which published its decision on April 20, 2015. The court’s decision found that the City’s tiered rates were not sufficiently cost justified, but that the Constitution does allow for tiered rates. A rehearing petition was filed with the court on May 6, 2015. The 4th District Court of Appeal subsequently modified its unpublished opinion on May 19, 2015, without change in the judgment. In July 2015, the California Supreme Court denied a request to depublish the case. The District believes that its rate structure is distinguishable from the structure deemed unconstitutional in San Juan Capistrano and is consistent with Proposition 218 and the Constitution because the District’s tiered rates correlate with the actual costs for the various tiers.

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Limited Recourse on Default

If the District defaults on its obligation to make the Installment Payments, the Trustee, as assignee of the Corporation, has the right to accelerate the total unpaid Installment Payments. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated Installment Payments.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Limited Obligation

The District's obligation to make Installment Payments is a special obligation of the District payable solely from Net Revenues and other funds provided for in the Installment Sale Agreement. Although Net Revenues include Non-Operating Revenues and Non-Operating Revenues are composed, in part, of *ad valorem* property taxes allocated to the District, the District has not agreed to levy any form of taxation to pay the Installment Payments.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued, as a result of future acts or omissions of the District in violation of its covenants in the Installment Sale Agreement. Should such an event of taxability occur, the Certificates are not subject to special prepayment and will remain outstanding until maturity or until prepaid under other prepayment provisions set forth in the Trust Indenture.

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

Cyber Security

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the District's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District, or the administration of the Certificates. The District is also reliant on other entities and service providers in connection with the administration of the Certificates, including without limitation the County tax collector for the levy and collection of property tax revenues and the Trustee. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate Owners.

In addition, the District is in full accordance with the America Water Infrastructure Act ("**AWIA**") that was signed into law by Congress on October 23, 2018. Section 2013 of Title II of AWIA requires utilities to update their risk assessments and emergency response plans. AWIA specifies the components risk assessment and response plans must address, and establishes deadlines by which the District must certify to the Environmental Protection Agency completion of these tasks. The District is actively maintaining compliance with AWIA and is on track to meet all requirements, including cyber risk requirements, laid out in the new legislation. By partnering with local and regional public agencies in a joint effort, the District is taking a comprehensive approach to compliance. The joint effort has the added advantage of strengthening relationships with local, regional, and federal agencies to help bolster cyber response coordination.

Change in Law

In addition to the other limitations described in this Official Statement, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Certificates.

CONTINUING DISCLOSURE

The District has covenanted in its continuing disclosure certificate for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and other operating data on an annual basis no later than 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), commencing on March 1, 2020, and to provide notice of certain enumerated 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 enumerated events is summarized under the

caption "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Purchaser in complying with the Rule.

In the past five years, the District failed to include certain required financial information and operating data in its annual reports for fiscal year 2014. The District has made remedial filings to address all material non-compliance in the past five years.

The District believes it has established procedures to ensure that it will comply with all material provisions of its continuing disclosure undertakings in the future.

Any failure by the District to comply with the provisions of its Continuing Disclosure Certificate will not constitute a default under the Trust Indenture (although Certificate Owners 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 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates.

RATINGS

S&P Global Ratings ("**S&P**"), has assigned a municipal bond rating of "___" to the Certificates and Fitch Ratings Group ("**Fitch**") has assigned a municipal bond rating of "___" to the Certificates.

These ratings reflect only the views of S&P and Fitch, and an explanation of the significance of the 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 S&P and Fitch (some of which does not appear in this Official Statement).

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

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates 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.

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 execution and delivery of the Certificates

in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate 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 at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and bond 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 Certificate 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 Certificates to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such Certificates. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate’s maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, 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 Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such

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legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

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

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall is also serving as Disclosure Counsel to the District. Certain matters will also be passed upon for the District by Best Best & Krieger LLP, as District Counsel. *Payment of the fees and expenses of Special Counsel and Disclosure Counsel is contingent upon execution and delivery of the Certificates.*

COMPETITIVE SALE OF CERTIFICATES

The Certificates will be sold pursuant to a competitive auction held on _____, 2019, pursuant to the terms set forth in the Official Notice of Sale for the Certificates (the "**Official Notice of Sale**").

The Certificates were awarded to _____ (the "**Purchaser**"), whose proposal represented the lowest true interest cost for the Certificates as determined in accordance with the Official Notice of Sale. The Purchaser has agreed to purchase the Certificates at a purchase price of \$_____ (which is equal to the par amount of the Certificates, less a purchaser's discount of \$_____, and [plus/less] a [net] original issue [premium/discount] of \$_____).

The Purchaser intends to offer the Certificates to the public at the offering prices set forth on the cover page of this Official Statement. The Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Purchaser.

MUNICIPAL ADVISOR

The District has retained PFM Financial Advisors LLC., Los Angeles, California, as its Municipal Advisor (the “**Municipal Advisor**”) in connection with the authorization and delivery of the Certificates. The payment of the Municipal Advisor’s fees for services rendered with respect to the sale of the Certificates is contingent upon the authorization and delivery of the Certificates. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

MISCELLANEOUS

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

MOULTON NIGUEL WATER DISTRICT

By: _____
General Manager

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2018**

APPENDIX B
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE
SERVICE AREA OF THE DISTRICT

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 “County”), the State of California (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 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 37 square miles and includes the cities of Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel, San Juan Capistrano 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 the 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 the 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 the 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 United States. The City was incorporated into the County in 1988.

San Juan Capistrano. The City of San Juan Capistrano is located in the County, and was created around the Mission San Juan Capistrano, with a total area of 14.3 square miles. San Juan Capistrano is bordered by the cities of Laguna Niguel on the west, Dana Point on the southwest, Ladera Ranch and Mission Viejo on the northeast, and San Clemente on the southeast. The City was incorporated into the County on April 19, 1961.

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 weather, coastline, and its residents.

Population

The following table sets forth population estimates for the cities of Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel, Mission Viejo, and San Juan Capistrano, the County and the State as of January 1 for the years 2015 to 2019.

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

Year (January 1)	Aliso Viejo	Dana Point	Laguna Hills	Laguna Niguel	Mission Viejo	San Juan Capistrano	Orange County	State of California
2015	50,281	33,656	30,915	63,804	94,985	36,240	3,152,314	38,912,464
2016	50,335	33,768	30,935	63,850	95,510	36,412	3,172,222	39,179,627
2017	50,384	33,897	31,829	65,288	95,985	36,624	3,198,968	39,500,973
2018	51,664	34,365	31,751	65,777	96,856	36,541	3,213,275	39,740,508
2019	51,372	34,249	31,572	66,748	96,434	36,821	3,222,498	39,927,315

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

Commercial Activity

Total taxable sales for the first quarter of calendar year 2018 in the City of Aliso Viejo were reported to be \$133,840,742, a 9.83% increase over the total taxable sales of \$121,858,298 reported for the first quarter of calendar year 2017. 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 2013 to 2017. Annual figures are not yet available for 2018. Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

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
2013	648	\$355,302	986	\$424,016
2014	679	357,039	1,005	429,394
2015	686	351,425	1,206	413,924
2016	699	400,779	1,236	499,358
2017	740	411,056	1,296	546,460

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

Total taxable sales for first quarter of calendar year 2018 in the City of Dana Point were reported to be \$111,575,242, a 4.43% increase over the total taxable sales of \$106,844,255 reported for the first quarter of calendar year 2017. 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 2013 to 2017. Annual figures are not yet available for 2018.

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
2013	905	304,286	1,294	442,273
2014	950	328,796	1,315	478,526
2015	957	324,853	1,493	476,437
2016	941	320,112	1,475	461,567
2017	896	328,538	1,426	479,632

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

Total taxable sales for the first quarter of calendar year 2018 in the City of Laguna Hills was reported to be \$137,698,644, a 17.95% increase over the total taxable sales of \$116,747,595 reported for the first quarter of calendar year 2017. 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 2013 to 2017. Annual figures are not yet available for 2018.

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
2013	810	411,229	1,306	494,819
2014	758	401,792	1,203	495,401
2015	768	396,955	1,334	493,928
2016	760	398,502	1,340	500,167
2017	765	405,299	1,386	517,895

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

Total taxable sales for the first quarter of calendar year 2018 in the City of Laguna Niguel were reported to be \$224,814,145, a 2.91% decrease from the total taxable sales of \$231,546,425 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 2013 to 2017. Annual figures are not yet available for 2018.

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
2013	1,135	867,574	1,726	991,919
2014	1,137	890,340	1,721	1,014,076
2015	1,079	840,241	1,912	968,765
2016	1,024	823,611	1,803	945,524
2017	1,043	828,172	1,835	951,299

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

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Total taxable sales for the first quarter of calendar year 2018 in the City of Mission Viejo were reported to be \$351,297,690, a 1.76% decrease from the total taxable sales of \$357,580,085 reported for the first quarter of calendar year 2017. 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 2013 to 2017. Annual figures are not yet available for 2018.

**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
2013	1,694	1,260,548	2,452	1,467,087
2014	1,751	1,314,396	2,500	1,532,627
2015	1,771	1,305,281	2,826	1,541,617
2016	1,797	1,298,596	2,869	1,539,349
2017	1,823	1,266,426	2,962	1,524,623

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

Total taxable sales for the first quarter of calendar year 2018 in the City of San Juan Capistrano were reported to be \$177,206,221, a 5.74% increase over the total taxable sales of \$167,594,348 reported for the first quarter of calendar year 2017. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of San Juan Capistrano is presented in the following table for the years 2013 to 2017. Annual figures are not yet available for 2018.

**CITY OF SAN JUAN CAPISTRANO
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions
(\$000's)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	873	593,192	1,292	684,759
2014	920	591,812	1,346	689,069
2015	939	554,466	1,489	663,185
2016	910	562,273	1,455	677,821
2017	899	577,583	1,435	703,143

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

Total taxable sales for the first three quarters of calendar year 2018 in the County were reported to be \$15,579,208,678, a 4.33% increase over the total taxable sales of \$14,932,660,639 reported for the first three quarters of calendar year 2017. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table for the years 2013 to 2017. Annual figures are not yet available for 2018.

ORANGE COUNTY
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions
(\$000's)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	62,208	40,025,929	94,862	57,591,217
2014	65,291	41,288,537	97,943	60,097,128
2015	42,778	41,589,926	110,717	61,358,087
2016	68,570	42,269,771	112,477	62,511,422
2017	68,701	43,666,470	113,180	64,551,424

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

Employment and Industry

The unemployment rate in the County was 3.0 percent in June 2019, up from a revised 2.4 percent in May 2019, and below the year-ago estimate of 3.2 percent. This compares with an unadjusted unemployment rate of 4.1 percent for California and 3.8 percent for the nation during the same period. The table below shows average annual employment by industry group, and the unemployment rate, for the years 2017 to 2018.

SANTA ANA-ANAHEIM-IRVINE METROPOLITAN DIVISION (ORANGE COUNTY) Civilian Labor Force, Employment and Unemployment (Annual Averages-March 2018 benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force: (1)	1,572,700	1,588,800	1,602,500	1,618,800	1,625,400
Employment	1,486,400	1,517,800	1,537,700	1,561,700	1,577,900
Unemployment	86,300	70,900	64,800	57,000	47,500
Unemployment Rate	5.5%	4.5%	4.0%	3.5%	2.9%
Wage and Salary Employment: (2)					
Agriculture	2,800	2,400	2,400	2,200	2,000
Mining and Logging	700	600	600	700	500
Construction	83,100	91,700	97,400	101,700	106,100
Manufacturing	157,400	157,000	157,000	158,600	159,800
Wholesale Trade	80,900	80,800	80,900	82,000	80,100
Retail Trade	148,500	151,400	152,400	153,400	152,900
Transportation, Warehousing and Utilities	26,500	26,900	27,200	27,600	29,300
Information	24,500	25,500	26,400	27,300	26,700
Finance and Insurance	76,300	78,800	79,400	80,500	79,700
Real Estate and Rental and Leasing	37,300	37,300	38,200	38,500	39,400
Professional and Business Services	276,600	286,600	296,900	301,700	315,400
Educational and Health Services	190,800	198,800	206,000	215,700	225,000
Leisure and Hospitality	194,500	203,800	212,000	218,200	222,600
Other Services	47,300	48,900	50,400	50,200	51,100
Federal Government	10,900	11,200	11,300	11,300	11,000
State Government	29,900	30,800	31,400	31,400	31,900
Local Government	111,400	114,500	116,900	117,800	117,900
Total, All Industries (3)	1,499,300	1,546,900	1,586,800	1,618,800	1,651,300

(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, 2018.

MOULTON NIGUEL WATER DISTRICT
Principal Employers ⁽¹⁾
Fiscal Year Ended June, 30, 2018

Rank	Employer	Operating City	Number of Employees	Percent of Each City's Employment
1	Saddleback College	Mission Viejo	3,033	5.89%
2	United States Government	Laguna Niguel	2,200	6.27
3	Mission Hospital Regional Medical Center	Mission Viejo	2,200	4.27
4	Saddleback Memorial Medical Center	Laguna Hills	1,707	10.04
5	Saddleback Valley Unified School District	Mission Viejo	1,200	2.33
6	United Parcel Service	Aliso Viejo	1,000	4.08
7	Pacific Life Insurance	Aliso Viejo	811	3.31
8	Capistrano Unified School District	Mission Viejo	691	1.34
9	Capistrano Unified School District	Aliso Viejo	679	2.77
10	Fluor	Aliso Viejo	630	2.57

(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.

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The following table lists the principal employers in the County, listed alphabetically, as of August 2019.

**ORANGE COUNTY
Principal Employers
August 2019**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Allergan Inc	Irvine	Drug Millers (mfrs)
American Funds	Irvine	Services NEC
Anaheim City Hall	Anaheim	Government Offices-City, Village & Twp
Auto Club of S California	Costa Mesa	Automobile Clubs
Boeing Co	Seal Beach	Aerospace Industries (mfrs)
Boeing Co	Huntington Beach	Aircraft-Manufacturers
Broadcom Corp	Irvine	Semiconductors & Related Devices (mfrs)
California State-Fullerton	Fullerton	Schools-Universities & Colleges Academic
Choc Children's	Orange	Hospitals
Disneyland Park	Anaheim	Amusement & Theme Parks
Edwards Lifesciences Corp	Irvine	Biotechnology Products & Services
Emplicity	Irvine	Business Services NEC
Esterline Technologies Corp	Buena Park	Electronic Equipment & Supplies-Mfrs
Hoag Memorial Hospital	Newport Beach	Hospitals
James R Glidewell Dental Crmcs	Irvine	Dentists
Kaiser Permanente Orange	Anaheim	Hospitals
Laguna Woods Village Cmnty Ctr	Laguna Woods	Senior Citizens Service
Media Relations Dept-Ca Dept	Anaheim	Government Offices-State
Mflex	Irvine	Electronic Equipment & Supplies-Mfrs
Mission Hospital	Mission Viejo	Hospitals
St Joseph Hospital	Orange	Hospitals
St Jude Medical Ctr	Fullerton	Hospitals
University CA of Irvine	Orange	Hospitals
University of Ca-Irvine	Irvine	Schools-Universities & Colleges Academic
Walt Disney Parks & Resorts	Anaheim	Amusement & Theme Parks

Source: State of California Employment Development Department, compiled from America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
New Multi-family	0.0	66,279.9	24,114.5	0.0	0.0
Res. Alterations/Additions	<u>3,647.0</u>	<u>5,246.1</u>	<u>2,493.3</u>	<u>5,249.0</u>	<u>4,300.9</u>
Total Residential	3,647.0	71,526.0	26,607.8	5,249.0	4,300.9
New Commercial	7,997.6	171.1	26,755.2	26,566.4	157.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	16,069.0	915.0	4,781.2	31,134.5	50,512.6
Com. Alterations/Additions	<u>10,265.3</u>	<u>2,101.5</u>	<u>14,251.4</u>	<u>10,708.2</u>	<u>16,918.8</u>
Total Nonresidential	\$34,331.9	\$3,157.6	\$45,787.8	\$68,409.1	\$67,588.5
<u>New Dwelling Units</u>					
Single Family	0	0	0	0	0
Multiple Family	<u>0</u>	<u>637</u>	<u>200</u>	<u>0</u>	<u>0</u>
TOTAL	0	637	200	0	0

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$44,593.2	\$55,565.1	\$47,361.7	\$54,575.4	\$55,932.7
New Multi-family	6,863.4	3,804.3	0.0	0.0	35,231.4
Res. Alterations/Additions	<u>17,201.9</u>	<u>20,103.6</u>	<u>22,068.4</u>	<u>26,554.4</u>	<u>23,414.8</u>
Total Residential	68,658.5	79,473.0	69,430.1	81,129.8	114,578.8
New Commercial	0.0	0.0	0.0	5,699.4	16,101.5
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,272.6	5,416.6	45,279.0	6,616.9	2,825.7
Com. Alterations/Additions	<u>4,158.9</u>	<u>10,776.9</u>	<u>15,561.0</u>	<u>7,393.7</u>	<u>5,954.0</u>
Total Nonresidential	\$10,431.5	\$16,193.5	\$60,840.0	\$19,710.0	\$24,881.2
<u>New Dwelling Units</u>					
Single Family	31	45	43	64	67
Multiple Family	<u>9</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>109</u>
TOTAL	40	50	43	64	176

Source: Construction Industry Research Board, Building Permit Summary.

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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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$ 0.0	\$1,430.2	\$1,480.0	\$64.0	\$0.0
New Multi-family	31,418.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>6,032.0</u>	<u>4,887.1</u>	<u>4,818.4</u>	<u>5,398.4</u>	<u>6,682.8</u>
Total Residential	37,450.00	6,317.3	6,298.4	5,462.4	6,682.8
New Commercial	17,759.5	194.0	480.7	1,240.5	2,070.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	10,976.0	1,651.0	6,670.9	1,448.0	1,190.3
Com. Alterations/Additions	<u>11,681.6</u>	<u>9,998.5</u>	<u>15,675.1</u>	<u>5,410.5</u>	<u>15,603.3</u>
Total Nonresidential	\$40,417.1	\$11,843.5	\$22,826.7	\$8,099.0	\$18,863.6
<u>New Dwelling Units</u>					
Single Family	0	3	2	1	0
Multiple Family	<u>289</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	289	3	2	1	0

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$14,037.0	\$5,818.4	\$14,410.7	\$2,025.0	\$1,427.0
New Multi-family	25,688.1	0.0	<u>139,476.9</u>	61,667.1	62,250.5
Res. Alterations/Additions	<u>17,812.7</u>	<u>17,702.2</u>	18,245.6	<u>18,681.5</u>	<u>15,968.5</u>
Total Residential	57,537.8	23,520.6	172,133.2	82,373.6	79,645.9
New Commercial	5,371.7	1,768.5	9,580.3	16,250.6	1,543.5
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	4,391.3	710.8	456.0	121.5	1,472.9
Com. Alterations/Additions	<u>12,934.1</u>	<u>4,188.3</u>	<u>4,425.9</u>	<u>9,473.2</u>	<u>11,280.6</u>
Total Nonresidential	\$22,697.1	\$6,667.6	\$14,462.2	\$25,845.3	\$14,296.9
<u>New Dwelling Units</u>					
Single Family	38	5	2	2	2
Multiple Family	<u>281</u>	<u>0</u>	<u>749</u>	<u>233</u>	<u>299</u>
TOTAL	319	5	751	235	301

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$253.4	\$0.0	\$10,768.2	\$10,170.0	\$6,484.8
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>16,867.4</u>	<u>23,735.0</u>	<u>32,909.6</u>	<u>28,718.9</u>	<u>16,210.2</u>
Total Residential	17,120.8	23,735.0	43,677.8	38,888.9	22,694.9
New Commercial	8,949.0	20.0	0.0	9,374.7	38,910.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	4,485.3	5,928.5	13,733.1	6,006.0	6,721.2
Com. Alterations/Additions	<u>9,749.2</u>	<u>13,091.2</u>	<u>11,789.8</u>	<u>19,518.8</u>	<u>22,205.7</u>
Total Nonresidential	\$23,183.5	\$19,039.7	\$25,522.9	\$34,899.5	\$67,836.9
<u>New Dwelling Units</u>					
Single Family	2	0	36	29	21
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	2	0	36	29	21

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 San Juan Capistrano.

CITY OF SAN JUAN CAPISTRANO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$26,304.6	\$22,634.5	\$28,327.1	\$32,981.3	\$21,260.7
New Multi-family	0.0	0.0	0.0	3,536.5	6,602.0
Res. Alterations/Additions	<u>12,886.7</u>	<u>14,151.3</u>	<u>12,250.3</u>	<u>10,800.1</u>	<u>11,061.6</u>
Total Residential	39,191.3	36,785.8	40,577.4	47,317.9	38,924.2
New Commercial	10,254.1	0.0	0.0	3,640.0	11,243.8
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,282.7	2,223.7	4,255.4	2,911.3	6,219.6
Com. Alterations/Additions	<u>5,982.5</u>	<u>9,220.1</u>	<u>7,788.5</u>	<u>9,467.5</u>	<u>6,867.4</u>
Total Nonresidential	\$17,519.3	\$11,443.8	\$12,043.9	\$16,018.8	\$24,330.7
<u>New Dwelling Units</u>					
Single Family	61	48	62	78	45
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>16</u>	<u>30</u>
TOTAL	61	48	62	94	75

Source: Construction Industry Research Board, Building Permit Summary.

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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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$1,234,498.7	\$1,288,428.2	\$1,464,920.6	\$1,809,779.3	\$1,442,020.6
New Multi-family	985,454.1	1,052,113.5	1,195,586.5	880,561.8	726,503.6
Res. Alterations/Additions	<u>413,518.5</u>	<u>486,341.4</u>	<u>491,132.6</u>	<u>498,259.7</u>	<u>582,094.6</u>
Total Residential	2,633,471.3	2,826,883.1	3,151,639.7	3,188,600.8	2,750,618.7
New Commercial	511,795.00	242,477.1	1,108,887.3	722,479.7	1,986,089.1
New Industrial	154,840.6	87,486.0	39,419.9	108,452.3	24,323.9
New Other	384,539.5	485,406.4	401,467.1	338,024.7	289,986.9
Com. Alterations/Additions	<u>948,992.6</u>	<u>1,205,735.8</u>	<u>1,102,344.6</u>	<u>921,072.1</u>	<u>1,231,885.2</u>
Total Nonresidential	\$2,000,167.7	\$2,021,105.3	\$2,652,118.9	\$2,090,028.8	\$3,532,285.0
<u>New Dwelling Units</u>					
Single Family	3,646	3,667	4,226	5,097	3,975
Multiple Family	<u>6,990</u>	<u>7,230</u>	<u>7,908</u>	<u>5,197</u>	<u>4,130</u>
TOTAL	10,636	10,897	12,134	10,294	8,105

Source: Construction Industry Research Board, Building Permit Summary.

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 and the United States for the period 2014 through 2019.

ORANGE COUNTY, STATE OF CALIFORNIA & UNITED STATES
Effective Buying Income
2014 through 2019

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (in Thousands)</u>	<u>Median Household Effective Buying Income</u>
2014	Orange County	\$81,151,078	\$59,589
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2015	Orange County	\$83,607,615	\$60,931
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	Orange County	\$90,963,458	\$64,420
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Orange County	\$95,757,421	\$66,303
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Orange County	\$100,982,959	\$69,088
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Orange County	\$108,768,390	\$73,894
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2014 through 2019.

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**APPENDIX D
FORM OF SPECIAL COUNSEL OPINION**

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____ *

**MOULTON NIGUEL WATER DISTRICT
2019 CERTIFICATES OF PARTICIPATION**

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 Certificates captioned above (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Indenture, dated as of _____ 1, 2019 (the “Trust Indenture”), by and among the District, the Moulton Niguel Water District Public Facilities Corporation and U.S. Bank National Association, in its capacity as trustee (the “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 Certificates 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 Trust 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 District, 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 Certificates.

* Preliminary; subject to change.

“*Participating Underwriter*” means _____, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*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 the Annual Report Date, commencing March 1, 2020, with the report for the 2018-19 fiscal year, 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 Certificates Outstanding as of the December 31 preceding the next Annual Report Date; and

(ii) An update of the information contained in Table Nos. 1, 5, 9, 13 and 17 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 Certificates:

- (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.

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- (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.
- (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.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(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 Certificates under the Trust 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), (a)(14) and (a)(15) 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 Certificates. 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.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

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 prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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 District. 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 Certificates, 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 Certificates, 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 Certificates in the manner provided in the Trust Indenture for amendments to the Trust 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 Certificates.

#8.

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 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 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust 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 Certificate 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 Certificates.

(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 Certificates, 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.

#8.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2019

MOULTON NIGUEL WATER DISTRICT

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 2019 Certificates of Participation

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report for fiscal year _____ with respect to the above-named Certificates of Participation as required by the Continuing Disclosure Certificate, dated as of _____ 1, 2019. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

APPENDIX F

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 Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates 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 Certificates (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “Agent”) take any responsibility for the information contained in this Appendix.

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 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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 Certificates (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

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

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 effect 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. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

#8.

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. Prepayment 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 prepayment 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 G
CURRENT WATER RATES

<i>Rates for Volumetric Charges Effective January 1, 2018 (\$/HCF)</i>			
	<i>Residential, Multi-Family</i>	<i>Commercial, Potable Irrigation</i>	<i>Recycled Irrigation</i>
Tier 1	\$1.69	\$1.94	\$1.39
Tier 2	\$1.94	\$3.32	\$2.51
Tier 3	\$3.32	\$5.12	\$4.31
Tier 4	\$5.12	\$9.59	\$8.78
Tier 5	\$9.59	-	-

<i>Rates for Volumetric Charges Effective January 1, 2019 (\$/HCF)</i>			
	<i>Residential, Multi-Family</i>	<i>Commercial, Potable Irrigation</i>	<i>Recycled Irrigation</i>
Tier 1	\$1.82	\$2.10	\$1.47
Tier 2	\$2.10	\$3.41	\$2.69
Tier 3	\$3.41	\$5.21	\$4.49
Tier 4	\$5.21	\$9.68	\$8.96
Tier 5	\$9.68	-	-

<i>Rates for Volumetric Charges Effective January 1, 2020 (\$/HCF)</i>			
	<i>Residential, Multi-Family</i>	<i>Commercial, Potable Irrigation</i>	<i>Recycled Irrigation</i>
Tier 1	\$1.95	\$2.26	\$1.55
Tier 2	\$2.26	\$3.50	\$2.87
Tier 3	\$3.50	\$5.30	\$4.67
Tier 4	\$5.30	\$9.77	\$9.14
Tier 5	\$9.77	-	-

<i>Rates for Volumetric Charges Effective January 1, 2021 (\$/HCF)</i>			
	<i>Residential, Multi-Family</i>	<i>Commercial, Potable Irrigation</i>	<i>Recycled Irrigation</i>
Tier 1	\$2.08	\$2.42	\$1.63
Tier 2	\$2.42	\$3.59	\$3.05
Tier 3	\$3.59	\$5.39	\$4.85
Tier 4	\$5.39	\$9.86	\$9.32
Tier 5	\$9.86	-	-

#8.

<i>Rates for Monthly Water Service Charges Effective January 1, 2018 (\$/Meter)</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial</i>	<i>Potable Irrigation</i>	<i>Recycled Irrigation</i>	<i>Fire Protection[†]</i>
5/8"	\$11.22	\$10.78	\$5.54	\$18.06	\$18.06	\$4.29
3/4"	\$11.22	\$10.78	\$5.54	\$18.06	\$18.06	\$4.29
1"	\$11.22	\$10.78	\$5.54	\$18.06	\$18.06	\$4.29
1.5"	\$37.41	\$25.20	\$18.46	\$60.21	\$60.21	\$14.31
2"	\$59.85	\$37.56	\$29.54	\$96.34	\$96.34	\$22.90
2.5"	-	-	-	-	-	\$36.50
3"	\$130.94	\$76.70	\$64.61	\$210.76	\$210.76	\$50.10
4"	\$224.46	\$128.19	\$110.76	\$361.29	\$361.29	\$85.88
6"	\$467.62	\$262.09	\$230.76	\$752.68	\$752.68	\$178.92
8"	\$673.37	\$375.38	\$332.29	\$1,083.86	\$1,083.86	\$257.65
10"	\$1,084.87	\$601.96	\$535.36	\$1,746.22	\$1,746.22	\$415.10
†Fire Protection Water Service Charges are assessed on the basis of connection size						

<i>Rates for Monthly Water Service Charges Effective January 1, 2019 (\$/Meter)</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial</i>	<i>Potable Irrigation</i>	<i>Recycled Irrigation</i>	<i>Fire Protection[†]</i>
5/8"	\$10.71	\$10.59	\$4.91	\$17.24	\$17.24	\$4.42
3/4"	\$10.71	\$10.59	\$4.91	\$17.24	\$17.24	\$4.42
1"	\$10.71	\$10.59	\$4.91	\$17.24	\$17.24	\$4.42
1.5"	\$35.69	\$24.22	\$16.35	\$57.45	\$57.45	\$14.74
2"	\$57.11	\$35.91	\$26.16	\$91.93	\$91.93	\$23.59
2.5"	-	-	-	-	-	\$37.60
3"	\$124.95	\$72.93	\$57.23	\$201.11	\$201.11	\$51.60
4"	\$214.19	\$121.63	\$98.10	\$344.75	\$344.75	\$88.46
6"	\$446.23	\$248.27	\$204.38	\$718.24	\$718.24	\$184.29
8"	\$642.56	\$355.42	\$294.31	\$1,034.25	\$1,034.25	\$265.38
10"	\$1,035.24	\$569.72	\$474.17	\$1,666.30	\$1,666.30	\$427.55
†Fire Protection Water Service Charges are assessed on the basis of connection size						

<i>Rates for Monthly Water Service Charges Effective January 1, 2020 (\$/Meter)</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial</i>	<i>Potable Irrigation</i>	<i>Recycled Irrigation</i>	<i>Fire Protection[†]</i>
5/8"	\$10.22	\$10.41	\$4.29	\$16.46	\$16.46	\$4.56
3/4"	\$10.22	\$10.41	\$4.29	\$16.46	\$16.46	\$4.56
1"	\$10.22	\$10.41	\$4.29	\$16.46	\$16.46	\$4.56
1.5"	\$34.08	\$23.30	\$14.31	\$54.85	\$54.85	\$15.18
2"	\$54.53	\$34.36	\$22.90	\$87.76	\$87.76	\$24.30
2.5"	-	-	-	-	-	\$38.72
3"	\$119.29	\$69.36	\$50.10	\$192.00	\$192.00	\$53.15
4"	\$204.49	\$115.42	\$85.89	\$329.14	\$329.14	\$91.11
6"	\$426.03	\$235.16	\$178.94	\$685.71	\$685.71	\$189.82
8"	\$613.47	\$336.48	\$257.67	\$987.42	\$987.42	\$273.34
10"	\$988.38	\$539.13	\$415.14	\$1,590.84	\$1,590.84	\$440.38
†Fire Protection Water Service Charges are assessed on the basis of connection size						

<i>Rates for Monthly Water Service Charges Effective January 1, 2021 (\$/Meter)</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial</i>	<i>Potable Irrigation</i>	<i>Recycled Irrigation</i>	<i>Fire Protection[†]</i>
5/8"	\$9.77	\$10.26	\$3.71	\$15.72	\$15.72	\$4.69
3/4"	\$9.77	\$10.26	\$3.71	\$15.72	\$15.72	\$4.69
1"	\$9.77	\$10.26	\$3.71	\$15.72	\$15.72	\$4.69
1.5"	\$32.56	\$22.45	\$12.36	\$52.41	\$52.41	\$15.64
2"	\$52.10	\$32.90	\$19.77	\$83.86	\$83.86	\$25.02
2.5"	-	-	-	-	-	\$39.88
3"	\$113.98	\$66.00	\$43.25	\$183.45	\$183.45	\$54.75
4"	\$195.39	\$109.55	\$74.14	\$314.48	\$314.48	\$93.85
6"	\$407.06	\$222.78	\$154.46	\$655.16	\$655.16	\$195.51
8"	\$586.16	\$318.59	\$222.42	\$943.43	\$943.43	\$281.54
10"	\$944.36	\$510.22	\$358.35	\$1,519.98	\$1,519.98	\$453.59
†Fire Protection Water Service Charges are assessed on the basis of connection size						

APPENDIX H

CURRENT WASTEWATER RATES

<i>Rates for Monthly Wastewater Variable Charges Effective January 1, 2018 (\$/Person in Household)†</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
Per Person	\$4.31	\$4.31	-	-	-	-
†Household size based on Census averages unless updated through customer variance process						
<i>Rates for Monthly Wastewater Service Charges Effective January 1, 2018 (\$/Meter Size)</i>						
<i>Meter Size</i>	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
5/8"	\$14.36	\$16.94	\$20.84	\$49.92	\$107.85	\$117.98
3/4"	\$14.36	\$16.94	\$20.84	\$49.92	\$107.85	\$117.98
1"	\$14.36	\$16.94	\$20.84	\$49.92	\$107.85	\$117.98
1.5"	\$14.36	\$51.38	\$64.39	\$161.31	\$354.40	\$388.15
2"	\$14.36	\$80.91	\$101.73	\$256.81	\$565.75	\$619.76
3"	\$14.36	\$174.42	\$219.98	\$559.23	\$1,235.12	\$1,353.26
4"	\$14.36	\$297.44	\$375.55	\$957.11	\$2,115.74	\$2,318.26
6"	\$14.36	\$617.32	\$780.05	\$1,991.64	\$4,405.47	\$4,827.39
8"	\$14.36	\$887.98	\$1,122.30	\$2,866.98	\$6,342.87	\$6,950.43
10"	\$14.36	\$1,429.31	\$1,806.83	\$4,617.72	\$10,217.77	\$11,196.63

<i>Rates for Monthly Wastewater Variable Charges Effective January 1, 2019 (\$/Person in Household)†</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
Per Person	\$4.55	\$4.55	-	-	-	-
†Household size based on Census averages unless updated through customer variance process						
<i>Rates for Monthly Wastewater Service Charges Effective January 1, 2019 (\$/Meter Size)</i>						
<i>Meter Size</i>	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
5/8"	\$15.15	\$17.87	\$21.99	\$52.66	\$113.78	\$124.46
3/4"	\$15.15	\$17.87	\$21.99	\$52.66	\$113.78	\$124.46
1"	\$15.15	\$17.87	\$21.99	\$52.66	\$113.78	\$124.46
1.5"	\$15.15	\$54.20	\$67.94	\$170.18	\$373.89	\$409.50
2"	\$15.15	\$85.35	\$107.33	\$270.93	\$596.87	\$653.84
3"	\$15.15	\$184.01	\$232.08	\$589.99	\$1,303.05	\$1,427.69
4"	\$15.15	\$313.80	\$396.20	\$1,009.75	\$2,232.10	\$2,445.76
6"	\$15.15	\$651.27	\$822.95	\$2,101.18	\$4,647.77	\$5,092.90
8"	\$15.15	\$936.82	\$1,184.03	\$3,024.67	\$6,691.73	\$7,332.71
10"	\$15.15	\$1,507.92	\$1,906.21	\$4,871.69	\$10,779.75	\$11,812.45

<i>Rates for Monthly Wastewater Variable Charges Effective January 1, 2020 (\$/Person in Household)†</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
Per Person	\$4.80	\$4.80	-	-	-	-
†Household size based on Census averages unless updated through customer variance process						
<i>Rates for Monthly Wastewater Service Charges Effective January 1, 2020 (\$/Meter Size)</i>						
<i>Meter Size</i>	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
5/8"	\$15.99	\$18.85	\$23.20	\$55.56	\$120.04	\$131.31
3/4"	\$15.99	\$18.85	\$23.20	\$55.56	\$120.04	\$131.31
1"	\$15.99	\$18.85	\$23.20	\$55.56	\$120.04	\$131.31
1.5"	\$15.99	\$57.19	\$71.67	\$179.54	\$394.45	\$432.02
2"	\$15.99	\$90.05	\$113.23	\$285.83	\$629.70	\$689.80
3"	\$15.99	\$194.13	\$244.84	\$622.44	\$1,374.72	\$1,506.21
4"	\$15.99	\$331.06	\$417.99	\$1,065.29	\$2,354.87	\$2,580.28
6"	\$15.99	\$687.09	\$868.21	\$2,216.75	\$4,903.40	\$5,373.01
8"	\$15.99	\$988.34	\$1,249.15	\$3,191.03	\$7,059.77	\$7,736.01
10"	\$15.99	\$1,590.86	\$2,011.05	\$5,139.64	\$11,372.64	\$12,462.13

<i>Rates for Monthly Wastewater Variable Charges Effective January 1, 2021 (\$/Person in Household)†</i>						
	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
Per Person	\$5.06	\$5.06	-	-	-	-
†Household size based on Census averages unless updated through customer variance process						
<i>Rates for Monthly Wastewater Service Charges Effective January 1, 2021 (\$/Meter Size)</i>						
<i>Meter Size</i>	<i>Residential</i>	<i>Multi-Family</i>	<i>Commercial 1</i>	<i>Commercial 2</i>	<i>Commercial 3</i>	<i>Commercial 4</i>
5/8"	\$16.86	\$19.89	\$24.47	\$58.62	\$126.64	\$138.53
3/4"	\$16.86	\$19.89	\$24.47	\$58.62	\$126.64	\$138.53
1"	\$16.86	\$19.89	\$24.47	\$58.62	\$126.64	\$138.53
1.5"	\$16.86	\$60.33	\$75.62	\$189.42	\$416.15	\$455.78
2"	\$16.86	\$95.00	\$119.46	\$301.55	\$664.33	\$727.74
3"	\$16.86	\$204.81	\$258.31	\$656.68	\$1,450.33	\$1,589.06
4"	\$16.86	\$349.27	\$440.98	\$1,123.88	\$2,484.39	\$2,722.20
6"	\$16.86	\$724.88	\$915.96	\$2,338.67	\$5,173.08	\$5,668.52
8"	\$16.86	\$1,042.70	\$1,317.85	\$3,366.53	\$7,448.06	\$8,161.49
10"	\$16.86	\$1,678.35	\$2,121.66	\$5,422.32	\$11,998.13	\$13,147.55

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APPENDIX I

ADOPTED WATER AND WASTEWATER RATES RESOLUTION

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AMI Phase III Approval

October 10, 2019

Page 2 of 3

Reviewed by Legal: Yes.

Background:

The Advanced Meter Infrastructure (AMI) system is a meter management communication system. Fixed communication towers were installed at District reservoir sites to receive signals from meter radio transceivers (MXU's). Meter consumption data is transmitted and used for billing and assisting customers with questions regarding their water use as well as providing automated leak alerts. Data acquired through the AMI system can also be used to assess meter performance, analyze consumption, retrieve reads for customers, and to support more accurate planning with real-time customer water demands. The AMI Project will serve as a critical component in the District's efforts to enhance residential customer service, promote the importance of water use efficiency, and expand the District's Water Loss Control Program.

In Phase 1, approximately 1,800 residential customers, along with the District's recycled and potable water irrigation customers, were added to the AMI network as a pilot to ensure a smooth rollout to remaining residential customers. All commercial meters are being added to the AMI Project as a part of the ongoing Phase II. To complete the District's conversion to 100% AMI for all customers, the District's 45,516 remaining potable residential customers are proposed to be added to the AMI system as part of the third and final phase. Radio transceivers will be attached to each residential meter for data collection. Residential customers will be provided with access to our existing interactive AMI customer portal, which provides reliable, secure, and real time access to their water usage data.

Implementing AMI to all residential customers' meters will assist the District in proactively identifying leaks for customers, assist operations through demand-side time-of-use management, and benefit customers by providing tools for monitoring water usage. District staff will prepare a categorical exemption in accordance with State CEQA Guidelines and a Notice of Exemption will be filed with the County of Orange following potential action by the Board.

Discussion:

District staff have presented an expedited plan for the full rollout of AMI based on feedback from the Board of Directors at the February 2019 Strategic Planning Session. With the successful implementation of Phase I and Phase II, the District staff will oversee the installation of the radios using an outside vendor for Phase III. Additionally, the District was awarded a \$1.5 M grant from the United States Bureau of Reclamation under the WaterSmart program to offset District funds for Phase III. In order to expedite the rollout of AMI to meet the grant funding timeline, staff issued an RFP to seven AMI installation firms and four proposals were received with fees shown in the table below:

Firm	Proposal Fee
Aquametric	\$1,639,179
Utility Partners of America	\$2,142,595
Concord Utility Services	\$807,780
Ferguson	\$1,148,092

Staff performed a thorough review of the proposals received to determine the best overall value for the District and interviewed a shortlist of Aquametric and Ferguson. District staff is proposing to award the contract to Ferguson based on the comprehensive plan for exceptional customer service, data quality assurance and quality control, reference checks and overall project understanding.

Staff issued a Request-for-Quote to one (1) manufacturer/distributor as the sole source provider for the MXU radio. The table below summarizes the Request for Quote received:

Consultant / Firm	Proposed Cost
Aqua Metric (Sensus)	\$98.00 for each MXU

The proposed cost includes a 20-year prorated warranty agreement for 45,516 MXU radios. The proposed MXU radios will have the ability to support AMI for the District's entire residential customers.

SUMMARY OF PROJECT BUDGET:

	Project Budget*	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Project Items				
AMI Phase III Radios	\$5,500,000	\$4,795,110	\$479,511	\$5,274,621
AMI Phase III Installation	\$2,700,000	\$1,148,092	\$114,809	\$1,262,901
Totals	\$8,200,000	\$5,943,202	\$594,320	\$6,537,522



Currently Proposed Amount

Attachment: Agreement for AMI Installation Services with Ferguson

**PROFESSIONAL SERVICES AGREEMENT
BETWEEN
MOULTON NIGUEL WATER DISTRICT AND
FERGUSON ENTERPRISES, LLC DBA FERGUSON WATERWORKS
MNWD PROJECT: AMI RADIO TRANSCEIVER DEPLOYMENT PHASE III
CONTRACT NO. 2019.002**

This Agreement (the "Agreement") is made and entered into this ____ day of _____, 2019 ("Effective Date") by and between the Moulton Niguel WATER DISTRICT ("MNWD") and Ferguson Enterprises, LLC, dba Ferguson Waterworks, a corporation with its principal place of business at 11909 Tech Center Ct., Poway, CA 92064 ("Contractor"). MNWD and Contractor are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

SECTION I – PURPOSE

Contractor shall provide certain services required by MNWD on the terms and conditions set forth in this Agreement. Contractor represents that it has the qualifications, experience, licenses, and facilities necessary to properly perform SmartPoint® AMI radio transceiver installations in a competent and professional manner.

SECTION II – TERM

The term of this Agreement shall be from the Effective Date to **January 31, 2022**, unless earlier terminated as provided herein.

SECTION III – SCOPE OF WORK

Section 3.1. Scope of Work. The scope of Work to be provided by Contractor is set forth on Exhibit "A" attached hereto and by this reference incorporated herein ("Work"). Contractor warrants that it will perform the Work as set forth herein in a competent, professional and satisfactory manner. All Work shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules, and regulations.

Section 3.2. Schedule of Work. Contractor shall complete the Work within the term of this Agreement and shall meet any other established schedules and deadlines, including any schedule of services set forth in Exhibit "A."

Section 3.3. Permits, Licenses, Fees and Other Charges. Contractor shall, in accordance with applicable laws and ordinances, obtain at his/her/its expense all permits and licenses necessary to accomplish the Services. Failure to maintain a required license or permit may result in immediate termination of this Agreement.

SECTION IV – COMPENSATION

Section 4.1. Payment for Services Rendered. Contractor shall receive compensation, including authorized reimbursements, for all Work rendered under this Agreement at the rates set forth in Exhibit "B" attached hereto and incorporated herein by reference. The total compensation shall not exceed **One Million One Hundred Forty-Eight Thousand Ninety-Two Dollars (\$1,148,092)** without written approval by MNWD. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

Section 4.2. Invoices. Contractor shall submit to MNWD a monthly itemized statement which indicates work completed and hours of Services rendered by Contractor. The statement shall describe the Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. MNWD shall, within 30 days of receiving such statement, review the statement and pay all approved charges thereon.

- A. Payment shall not constitute acceptance of any work completed by Contractor.
- B. The making of final payment shall not constitute a waiver of any claims by MNWD for any reason whatsoever.

Section 4.3. Reimbursement for Expenses. Contractor shall not be reimbursed for any expenses unless authorized in writing by MNWD.

Section 4.4. Extra Work. At any time during the term of this Agreement, MNWD may request that Contractor perform Extra Work. As used herein, "Extra Work" means any work which is determined by MNWD to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Contractor shall not perform, nor be compensated for, Extra Work without written authorization by MNWD.

SECTION V – REPRESENTATIVES OF THE PARTIES

Section 5.1. MNWD's Representative. MNWD hereby designates its Director of Finance and Water Resources, or his or her designee, to act as its representative for the performance of this Agreement ("MNWD's Representative"). Contractor shall not accept direction or orders from any person other than MNWD's Representative or his or her designee.

Section 5.2. Contractor's Representative. Contractor hereby designates Wes Hughes, or his designee, to act as its representative for the performance of this Agreement ("Contractor's Representative"). Contractor's Representative shall have full authority to represent and act on behalf of the Contractor for all purposes under this Agreement. The Contractor's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

SECTION VI – RESPONSIBILITIES OF CONTRACTOR

Section 6.1. Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Contractor or under its supervision. Contractor will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. MNWD retains Contractor on an independent contractor basis and not as an employee. Contractor retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Contractor shall also not be employees of MNWD and shall at all times be under Contractor's exclusive direction and control. Contractor shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Contractor shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income

tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

Section 6.2. Standard of Care; Performance of Employees. Contractor shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Contractor represents and maintains that it is skilled in the professional calling necessary to perform the Services. Contractor warrants that all employees and subcontractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Contractor represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Contractor shall perform, at its own cost and expense and without reimbursement from MNWD, any services necessary to correct errors or omissions which are caused by the Contractor's failure to comply with the standard of care provided for herein.

Section 6.3. Conformance to Applicable Requirements. All work prepared by Contractor shall be subject to the approval of MNWD.

Section 6.4. Substitution of Key Personnel. Contractor has represented to MNWD that certain key personnel will perform and coordinate the Services under this Agreement. The key personnel for performance of this Agreement are as follows: Wes Hughes, Adam Milauskas, Eric Tracy, Maverick Schirmer, Celeste Moltzan. Should one or more of such personnel become unavailable, Contractor may substitute other personnel of at least equal competence upon written approval of MNWD. In the event that MNWD and Contractor cannot agree as to the substitution of key personnel, MNWD shall be entitled to terminate this Agreement for cause. Furthermore, any personnel who fail or refuse to perform the Services in a manner acceptable to MNWD, or who are determined by MNWD to be uncooperative, incompetent, a threat to the adequate or timely completion of the Services or a threat to the safety of persons or property, shall be promptly removed from performing Services by the Contractor at the request of MNWD.

Section 6.5. Coordination of Services. Contractor agrees to work closely with MNWD staff in the performance of Services and shall be available to MNWD's staff, Contractors and other staff at all reasonable times.

Section 6.6. Laws and Regulations. Contractor shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Contractor shall be liable for all violations of such laws and regulations in connection with Services. If the Contractor performs any work knowing it to be contrary to such laws, rules and regulations, Contractor shall be solely responsible for all costs arising therefrom. Contractor shall defend, indemnify and hold MNWD, its officials, directors, officers, employees, and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

SECTION VII – LABOR CODE PROVISIONS

Section 7.1. Prevailing Wages. Contractor is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8,

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Section 16000, et seq., (“Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on “public works” and “maintenance” projects. If the Services are being performed as part of an applicable “public works” or “maintenance” project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Contractor agrees to fully comply with such Prevailing Wage Laws. MNWD shall provide Contractor with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Contractor shall make copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services available to interested parties upon request, and shall post copies at the Contractor’s principal place of business and at the project site. It is the intent of the parties to effectuate the requirements of sections 1771, 1774, 1775, 1776, 1777.5, 1813, and 1815 of the Labor Code within this Agreement, and Contractor shall therefore comply with such Labor Code sections to the fullest extent required by law. Contractor shall defend, indemnify and hold MNWD, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

Section 7.2. Registration and Labor Compliance. If the services are being performed as part of an applicable “public works” or “maintenance” project, then, in addition to the foregoing, pursuant to Labor Code sections 1725.5 and 1771.1, the Contractor and all subcontractors must be registered with the Department of Industrial Relations (“DIR”). Contractor shall maintain registration for the duration of the project and require the same of any subcontractors. This project may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Contractor’s sole responsibility to comply with all applicable registration and labor compliance requirements, including the submission of payroll records directly to the DIR.

Section 7.3. Labor Certification. By its signature hereunder, Contractor certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker’s Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

SECTION VIII – BONDS

Section 8.1. Payment Bond. Contractor shall furnish a Payment Bond approved by District as required by Section 9550 of the California Civil Code from a single surety licensed and admitted in the State with an agent for service of process in California. Contractor shall pay the cost of obtaining the payment bond and Contractor shall use MNWD’s form for the bond, which is attached as Exhibit “C”.

Section 8.2. Performance Bond. Contractor shall furnish a Performance Bond securing the faithful performance of the Agreement covering the Work. Contractor shall pay the cost of obtaining the performance bond and Contractor shall use MNWD’s form for the bond, which is attached as Exhibit “D”.

Section 8.3. Requirements. All bonds required hereunder shall be in the amount of 100% of the Agreement Maximum Amount, and shall be in such form, and with such California corporate surety, as are satisfactory to the District, in the District’s sole discretion. The amount of the bonds shall be increased in accordance with any increase in the Agreement Maximum Amount as established by a Change Order to the Agreement. Contractor shall deliver all bonds required hereunder to the District prior to the commencement of Work, or if the Work is commenced prior

thereto in response to a notice to proceed, the Contractor shall, prior to commencement of the Work, submit evidence satisfactory to the District that such bonds will be issued.

SECTION IX – INDEMNIFICATION

To the fullest extent permitted by law, Contractor shall immediately indemnify, defend, and hold MNWD, its directors, officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions of Contractor, its officials, officers, employees, subcontractors, Contractors or agents in connection with the performance of the Contractor's Services or this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorneys' fees and other related costs and expenses. Contractor shall pay and satisfy any judgment, award or decree that may be rendered against MNWD or its directors, officials, officers, employees, volunteers and agents as part of any such claim, suit, action or other proceeding. Contractor shall also reimburse MNWD for the cost of any settlement paid by MNWD or its directors, officials, officers, employees, agents or volunteers as part of any such claim, suit, action or other proceeding. Such reimbursement shall include payment for MNWD's attorneys' fees and costs, including expert witness fees. Contractor shall reimburse MNWD and its directors, officials, officers, employees, agents, and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Contractor's obligation to indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by MNWD, its directors, officials, officers, employees, agents, or volunteers. Notwithstanding the foregoing, to the extent Contractor's Services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Contractor.

SECTION X – INSURANCE

Section 10.1. Time for Compliance. Contractor shall not commence Work under this Agreement until it has provided evidence satisfactory to MNWD that it has secured all insurance required under this section. In addition, Contractor shall not allow any subcontractor to commence work on any subcontract until it has provided evidence satisfactory to MNWD that the subcontractor has secured all insurance required under this section. Failure to provide and maintain all required insurance shall be grounds for MNWD to terminate this Agreement for cause.

Section 10.2. Minimum Requirements. Contractor shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agents, representatives, employees or subcontractors. Contractor shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

- A. Commercial General Liability. Coverage for commercial general liability insurance shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001). Contractor shall maintain limits no less than \$1,000,000 per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit or product-

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completed operations aggregate limit is used, including but not limited to form CG 2503, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit. The general liability policy shall include or be endorsed (amended) to state that: (1) MNWD, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to the Work or operations performed by or on behalf of the Contractor, including materials, parts or equipment furnished in connection with such work using both CG 20 10 and CG 20 37 or equivalent; and (2) the insurance coverage shall be primary insurance as respects MNWD, its directors, officials, officers, employees, agents, and volunteers using as broad a form as CG 20 01 04 13, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by MNWD, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.

B. Automobile Liability. Coverage shall be at least as broad as the latest version of the Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto). Contractor shall maintain limits no less than \$1,000,000 per accident for bodily injury and property damage. The automobile liability policy shall include or be endorsed (amended) to state that: (1) MNWD, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Contractor or for which the Contractor is responsible; and (2) the insurance coverage shall be primary insurance as respects MNWD, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by MNWD, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way. The automobile liability policy shall cover all owned, non-owned, and hired automobiles.

C. Workers' Compensation and Employer's Liability Insurance. Contractor shall maintain Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance in an amount no less than \$1,000,000 per accident for bodily injury or disease. The insurer shall agree to waive all rights of subrogation against MNWD, its directors, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Contractor.

D. Professional Liability. Contractor shall procure and maintain, and require its subcontractors to procure and maintain, for a period of five (5) years following completion of the Project, errors and omissions liability insurance appropriate to their profession covering Contractor's wrongful acts, negligent actions, errors or omissions. The retroactive date (if any) is to be no later than the effective date of this agreement. Contractor shall purchase a one-year extended reporting period: i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement. Such insurance shall be in an amount not less than \$2,000,000 per claim.

E. Excess Liability (if necessary). The limits of Insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any

umbrella or excess coverage shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of MNWD (if agreed to in a written contract or agreement) before MNWD's own primary or self-Insurance shall be called upon to protect it as a named insured. The policy shall be endorsed to state that MNWD, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured at least as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37. The coverage shall contain no special limitations on the scope of protection afforded to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 10.3. All Coverages. The Contractor is required by this Agreement to state that: (i) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to MNWD; If any of the required coverages expire or cancel during the term of this agreement, the Contractor shall deliver the renewal certificate(s) including the general liability additional insured endorsement to MNWD at least ten (10) days prior to the cancellation or expiration date; and (ii) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 10.4. Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 10.5. Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by MNWD. Contractor shall guarantee that, at the option of MNWD, either: (i) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects MNWD, its directors, officials, officers, employees, agents, and volunteers; and insurer shall provide or be endorsed to provide that the deductibles or SIR may be satisfied by either the named or additional insureds, co-insurers, and/or insureds other than the First Named Insured or (ii) the Contractor shall procure a bond guaranteeing payment of losses and related investigation costs, claims, and administrative and defense expenses.

Section 10.6. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A-:VII or equivalent, or as otherwise approved by MNWD.

Section 10.7. Verification of Coverage. Contractor shall furnish MNWD with certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to MNWD. The certificates for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements must be received and approved by MNWD before work commences. In the event that the Contractor employs other Contractors (subcontractors) as part of the services covered by this agreement, it shall be the Contractor's responsibility to require and confirm that each sub-Contractor meets the minimum insurance requirements specified above.

Section 10.8. Reporting of Claims. Contractor shall report to MNWD, in addition to Contractor's insurer, any and all insurance claims submitted by Contractor in connection with the Services under this Agreement.

SECTION XI – TERMINATION

Section 11.1. Grounds for Termination. MNWD may, by written notice to Contractor, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Contractor of such termination, and specifying the effective date thereof, at least thirty (30) days before the effective date of such termination. Upon termination, Contractor shall be compensated only for those services which have been adequately rendered to MNWD, and Contractor shall be entitled to no further compensation. Contractor may not terminate this Agreement except for cause.

Section 11.2. Effect of Termination. If this Agreement is terminated as provided herein, MNWD may require Contractor to provide all finished or unfinished Documents and Data and other information of any kind prepared by Contractor in connection with the performance of Services under this Agreement. Contractor shall be required to provide such document and other information within fifteen (15) days of the request.

Section 11.3. Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, MNWD may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

SECTION XII – OWNERSHIP OF MATERIALS AND CONFIDENTIALITY

Section 12.1. Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for MNWD to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Contractor under this Agreement (“Documents & Data”). All Documents & Data shall be and remain the property of MNWD, and shall not be used in whole or in substantial part by Contractor on other projects without MNWD’s express written permission. Within thirty (30) days following the completion, suspension, abandonment or termination of this Agreement, Contractor shall provide to MNWD reproducible copies of all Documents & Data, in a form and amount required by MNWD. MNWD reserves the right to select the method of document reproduction and to establish where the reproduction will be accomplished. The reproduction expense shall be borne by MNWD at the actual cost of duplication. In the event of a dispute regarding the amount of compensation to which the Contractor is entitled under the termination provisions of this Agreement, Contractor shall provide all Documents & Data to MNWD upon payment of the undisputed amount. Contractor shall have no right to retain or fail to provide to MNWD any such documents pending resolution of the dispute. In addition, Contractor shall retain copies of all Documents & Data on file for a minimum of fifteen (15) years following completion of the Project, and shall make copies available to MNWD upon the payment of actual reasonable duplication costs. Before destroying the Documents & Data following this retention period, Contractor shall make a reasonable effort to notify MNWD and provide MNWD with the opportunity to obtain the documents.

Section 12.2. Subcontractors. Contractor shall require all subcontractors (if allowed) to agree in writing that MNWD is granted a non-exclusive and perpetual license for any Documents & Data the subcontractor prepares under this Agreement. Contractor represents and warrants that Contractor has the legal right to license any and all Documents & Data. Contractor makes no such representation and warranty in regard to Documents & Data which were prepared by design

professionals other than Contractor or its subcontractors, or those provided to Contractor by MNWD.

Section 12.3. Right to Use. MNWD shall not be limited in any way in its use or reuse of the Documents and Data or any part of them at any time for purposes of this Project or another project, provided that any such use not within the purposes intended by this Agreement or on a project other than this Project without employing the services of Contractor shall be at MNWD's sole risk. If MNWD uses or reuses the Documents & Data on any project other than this Project, it shall remove the Contractor's seal from the Documents & Data and indemnify and hold harmless Contractor and its officers, directors, agents and employees from claims arising out of the negligent use or re-use of the Documents & Data on such other project. Contractor shall be responsible and liable for its Documents & Data, pursuant to the terms of this Agreement, only with respect to the condition of the Documents & Data at the time they are provided to MNWD upon completion, suspension, abandonment or termination. Contractor shall not be responsible or liable for any revisions to the Documents & Data made by any party other than Contractor, a party for whom the Contractor is legally responsible or liable, or anyone approved by the Contractor.

Section 12.4. Intellectual Property Indemnification. Contractor shall defend, indemnify and hold MNWD, its directors, officials, officers, employees, volunteers and agents free and harmless, pursuant to the indemnification provisions of this Agreement, for any alleged infringement of any patent, copyright, trade secret, trade name, trademark, or any other proprietary right of any person or entity in consequence of the use on the Project by MNWD of the Documents & Data, including any method, process, product, or concept specified or depicted.

Section 12.5. Confidentiality. All Documents & Data, either created by or provided to Contractor in connection with the performance of this Agreement, shall be held confidential by Contractor. All Documents & Data shall not, without the prior written consent of MNWD, be used or reproduced by Contractor for any purposes other than the performance of the Services. Contractor shall not disclose, cause or facilitate the disclosure of the Documents & Data to any person or entity not connected with the performance of the Services or the Project. Nothing furnished to Contractor that is otherwise known to Contractor or is generally known, or has become known, to the related industry shall be deemed confidential. Contractor shall not use MNWD's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of MNWD.

SECTION XIII – ACCOUNTING, INSPECTION AND AUDIT

Section 13.1. Records. Contractor shall keep and shall preserve for four (4) years after final completion of the services, accurate and detailed records of all ledgers, books of account, invoices, vouchers, cancelled checks, and other documents or records evidencing or relating to the work, services and disbursements charged to MNWD under this Agreement (collectively, "Books and Records"). Any and all Books and Records must be maintained in accordance with generally accepted accounting principles and must be sufficiently complete and detailed so as to permit an accurate evaluation of the services provided by Contractor under this Agreement. During such four (4) year period, Contractor shall give MNWD and its agents, during normal business hours, access to such Books and Records. MNWD and its agents shall have the right to make copies of any of the said Books and Records.

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Section 13.2. Custody. Where MNWD has reason to believe that any of the Books and Records required to be maintained by this Article may be lost or discarded due to dissolution or termination of Contractor's business, MNWD may, by written request, require that custody of such Books and Records be given to a person or entity mutually agreed upon and such Books and Records thereafter shall be maintained by such person or entity at Contractor's expense. Access to the Books and Records shall be granted to MNWD and its Representatives.

SECTION XIV – BACKGROUND INVESTIGATION

Section 14.1. Requirements. Prior to commencement of Services, contractor must conduct a background investigation, at its own expense, on each employee who will be assigned under the contract to provide Services to MNWD.

The criteria required in the background investigation must include:

1. Expanded Criminal History Search (all locations past 7 years including Federal Records)
2. Social Security Number Trace
3. Auxiliary National Criminal Index Search (ANCI)-OFAC Global Terrorist Search
4. Motor Vehicle Report

Contractor will comply with all notice and disclosure requirements required by the Fair Credit Reporting Act and applicable state laws, including obtaining consent for all records to be reviewed by MNWD.

Section 14.2. Confidential Information. Following receipt of the information provided through the background check, contractor will provide all such information to MNWD for review. MNWD's Director of Human Resources will determine, in his/her sole discretion, based on an individualized assessment if the results are satisfactory to allow the employee to be assigned to perform Services. Results will be kept confidential.

SECTION XV – GENERAL PROVISIONS

Section 15.1. Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

MNWD:

Moulton Niguel Water District
P.O. Box 30203
Laguna Niguel, CA 92607
Attn: Director of Finance and Water
Resources

CONTRACTOR:

Ferguson Enterprises, LLC, dba Ferguson
Waterworks
11909 Tech Center Ct.
Poway, CA 92064
Attn: Wes Hughes

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

Section 15.2. Subcontracting/Subconsulting. Contractor shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval

of MNWD. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

Section 15.3. Equal Opportunity Employment. Contractor represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Contractor shall also comply with all relevant provisions of MNWD's Minority Business Enterprise program, Affirmative Action Plan or other related programs or guidelines currently in effect or hereinafter enacted.

Section 15.4. Time of Essence. Time is of the essence for each and every provision of this Agreement.

Section 15.5. MNWD's Right to Employ Other Contractors. MNWD reserves right to employ other Contractors in connection with this Project.

Section 15.6. Successors and Assigns. This Agreement shall be binding on the successors and assigns of the parties.

Section 15.7. Assignment or Transfer. Contractor shall not assign, hypothecate or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of MNWD. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

Section 15.8. Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Contractor include all personnel, employees, agents, and subcontractors of Contractor, except as otherwise specified in this Agreement. All references to MNWD include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Agreement.

Section 15.9. Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

Section 15.10. Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel or otherwise.

Section 15.11. No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

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Section 15.12. Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

Section 15.13. Prohibited Interests. Contractor maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Contractor, to solicit or secure this Agreement. Further, Contractor warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Contractor, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Contractor further agrees to file, or shall cause its employees or subcontractors to file, a Statement of Economic Interest with MNWD's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, MNWD shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of MNWD, during the term of his or her service with MNWD, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

Section 15.14. Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

Section 15.15. Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Orange County.

Section 15.16. Government Code Claim Compliance. In addition to any and all contract requirements pertaining to notices of and requests for compensation or payment for extra work, disputed work, claims and/or changed conditions, Contractor must comply with the claim procedures set forth in Government Code sections 900 et seq. prior to filing any lawsuit against MNWD. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by Contractor. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Contractor shall be barred from bringing and maintaining a valid lawsuit against MNWD.

Section 15.17. Attorneys' Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

Section 15.18. Authority to Enter Agreement. Contractor has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

Section 15.19. Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

Section 15.20. Entire Agreement. This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a written amendment signed by both parties.

MOULTON NIGUEL WATER DISTRICT:

**FERGUSON ENTERPRISES, LLC
DBA FERGUSON WATERWORKS:**

By: _____

By: _____
(Authorized Representative of
Contractor)

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

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**EXHIBIT A
SCOPE OF WORK**

Exhibit A

Scope of Work

The following scope of work is an outline of the minimum services to be provided by the Contractor. Work shall consist of, but shall not be limited to, the scope outlined below.

Contractor shall manage installation of SmartPoints according to MNWD's AMI deployment schedule. Responsibilities include installation and programming of SmartPoints, updating work order management system, performing quality assurance and control, recruiting and staffing, field project management, and tracking and reporting installation metrics. Below are the objectives, assumptions, and scope of work that should be used in the preparation of Contractor proposals.

OBJECTIVES

- A. Safely install and program approximately 45,516 SmartPoints across MNWD's service territory within two years.
- B. Minimize instances of Return to Utility (RTU) situations requiring use of MNWD resources.
- C. Provide accurate and timely information to MNWD for updating back-office systems.
- D. Maintain high customer satisfaction by adhering to MNWD's customer engagement strategy.
- E. Maintain an effective quality assurance program that proactively identifies problems related to safety, workmanship, and customer satisfaction before they become bigger utility issues.

GENERAL ASSUMPTIONS

- A. MNWD has selected Sensus' SmartPoint® 520M pit set module for its AMI radio transceiver to connect with its existing Sensus FlexNet® AMI communications network and read via Sensus AutoRead® software.
- B. MNWD's full SmartPoint deployment is expected to be completed over a two (2) year duration.
- C. Approximately 45,516 meters will require installation of SmartPoints (37,301 touch read and 8,215 AMR meters).
- D. Of the 45,516 meters requiring SmartPoint installations, 45,371 are between 5/8" and 3/4" and 144 are between 1" and 2" in size.
- E. MNWD has already modified customer meter box lids to accommodate SmartPoints. Any additional modification to pit lids that may be required would be performed by MNWD.
- F. Nearly all customer water meters are located in easy to access curb-side meter boxes (pit set environment). MNWD estimates that <1% of the meters are hard to access and ~20% are located in gated communities. It's estimated that no water meters are located in confined

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spaces. Meter boxes may be fully or partially filled with dirt or other debris.

- G. MNWD will provide Contractor with meter location data via customer address and geographic coordinates (latitude and longitude).
- H. Office facilities for use by Contractor personnel may be provided by MNWD, as necessary.
- I. Contractor will not be responsible for scheduling customer appointments in advance of initial SmartPoint installation. However, in the event a customer appointment is necessary for installation, MNWD will perform scheduling.
- J. Contractor will not be responsible for call center activities related to this Scope of Work.
- K. Contractor will not be responsible for warehousing and inventory activities. MNWD will order and maintain a sufficient inventory of SmartPoints necessary to achieve its AMI deployment schedule.
- L. Contractor shall provide all tools and equipment necessary to successfully install SmartPoints within MNWD's service territory, including, but not limited to:
 - a. Wifi/cellular data-equipped computer or mobile device compatible with the appropriate instance of Sensus' FieldLogic Tools® application for programming SmartPoints.
 - b. Sensus CommandLink® ("blue box") and UniPro Communicator ("hockey puck") to support programming of SmartPoints.
 - c. MNWD-approved personal protective equipment (PPE).
 - d. Uniforms, including Contractor's company logo
 - e. Transportation and vehicles marked with Contractor's logo.
 - f. Tools and equipment for installing SmartPoints.
 - g. Communication equipment (e.g., cell phones, radios, email).
- M. Contractor shall comply with all environmental controls throughout services as directed by MNWD.
- N. Any malfunctioning water meters will be replaced by MNWD personnel.
- O. MNWD will be responsible for developing and distributing AMI customer communications in advance of SmartPoint installations.
- P. MNWD does not plan on providing its customers an AMI opt-out option at this time.
- Q. All Contractors must pass a background check according to MNWD's Professional Service Agreement.
- R. Contractor's field personnel will be required to highly visible identification badges with photos

and MNWD-approved branding.

FIELD DEPLOYMENT

Contractor will be responsible for deploying approximately 45,516 SmartPoints across MNWD's 37 square mile service territory according to the utility's AMI deployment schedule.

- A. Contractor shall perform all installation services during the hours of 7am to 5pm (Pacific Time), Monday through Friday, or as otherwise mutually agreed to by Contractor and MNWD.
- B. Contractor shall complete all Work Orders necessary to successfully adhere to MNWD's AMI deployment schedule.
- C. MNWD will provide Contractor with a planned installation schedule with linear routes to ensure Contractor installation does not interfere with MNWD meter reading and maintenance operations. Note: MNWD currently reads all meters on monthly read cycles.
- D. Majority of MNWD water meters are manufactured by Sensus (71%) and allow for touch couple connections, where as the remaining water meters are manufactured by Neptune (29%) requiring wiring and gel caps to connect.
- E. Contractor shall perform SmartPoint installations according to the standard installation workflow outlined in Exhibit 4: Standard Installation Workflow and summarized below:
 - a. Contractor's installers will report to MNWD's warehouse facilities and receive daily Work Order assignments, as well as load SmartPoints and associated materials necessary to execute their assignments.
 - b. For each assigned Work Order, installer shall locate customer's premise and water meter box. If necessary, uncover any dirt or debris to access water meter.
 - c. Install a SmartPoint according to the manufacturer's installation and programming procedure shown in Exhibit X: Sensus FlexNet® MXU (520M) Installation and Programming Procedure.
 - d. Once the SmartPoint is properly installed and programmed, Contractor shall document appropriate information necessary to update utility's Work Order Management System.
 - e. Contractor shall remove all materials, debris, and trash in order to leave the customer site in equal or better condition than received.
 - f. Complete visual inspection of the installation.
 - g. Contractor shall leave a MNWD-approved door hanger (or other similar communication material) identifying the work performed.
 - h. Close-out the associated Work Order or update with the appropriate Unable to Complete (UTC) code.

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- F. If meter box access is not obtained at the customer premise, Contractor shall re-attempt the installation up to three (3) before updating the associated Work Order with Return to Utility (RTU).
- G. If a Contractor-installed SmartPoint becomes disconnected from the AMI network within a three (3) day period from initial installation, Contractor remains responsible for resolving connectivity, provided the error resides with the installation of the SmartPoint. All other issues will be addressed by MNWD.
- H. As necessary, Contractor will be responsible for properly updating customer Work Orders with the proper Unable to Complete (UTC) code as well as reporting any unsafe conditions at the customer premise—e.g., signs of tampering, possible theft, damaged or incorrectly installed water meters, damaged meter box or lid.
- I. Contractor shall immediately notify MNWD of any material changes that impact MNWD's AMI deployment schedule.
- J. Contractor shall provide MNWD with mobile phone numbers of field supervisor personnel to allow for real-time communications regarding deployment/customer issues, as necessary.

QUALITY ASSURANCE

Contractor will be responsible for developing and implementing a quality assurance program to ensure installation services are performed in accordance with requested services and associated service level agreements.

- A. Contractor shall develop and submit its quality assurance program to MNWD for review and approval. At a minimum, the quality assurance program should include aspects related to safety, workmanship, and customer interaction.
- B. Contractor shall have a resource that is accountable to perform quality assurance and quality control responsibilities.
- C. Contractor shall share program results of the quality assurance program with MNWD on a regular basis.
- D. Safety, workmanship, and customer interactions audit standards shall be established and mutually agreed upon by Contractor and MNWD. Failure to maintain established audit standards shall result in the removal, re-training, and certification of installers before returning to the field.
- E. Contractor shall establish a Probation Period for newly trained installers and require a higher degree of auditing to ensure installer properly conforms to mutually-agreed safety, workmanship, and customer interaction standards.
- F. Once installers progress past the Probation Period, auditing requirements shall be relaxed as mutually-agreed by Contractor and MNWD to ensure a safe and efficient deployment.

STAFFING AND RECRUITING

Contractor will be responsible for all recruitment and staffing necessary to ensure installation services are performed in accordance with requested services and associated service level agreements.

- A. Contractor shall have full responsibility for the conduct of all personnel employed on or in connection with provided services (including the employees of any subcontractor) and will ensure there is adequate, daily supervision of all services.
- B. Contractor will comply with all applicable labor code provisions, including Prevailing Wage Laws outlined in Exhibit 1 - MNWD Standard Professional Services Agreement.
- C. Contractor shall be responsible for training all employees to perform services outlined in this Scope of Work using MNWD-approved training material. Training shall include, but not limited, to the following:
 - a. Proper installation and programming of SmartPoints (i.e., Sensus FlexNet® MXU 520M).
 - b. Identification of meter types, service and register types, curb stop, valves, other relevant MNWD infrastructure.
 - c. Correctly interpreting, updating, and closing MNWD Work Orders, including corresponding notes and documentation.
 - d. A MNWD-led training on field customer service (e.g., handling difficult customer situations).
 - e. Identification and proper response to emergency and/or unsafe conditions.
 - f. Identification and reporting of abnormal operating conditions, including damaged equipment or infrastructure, potential theft, and/or tampering.
- D. Contractor shall be responsible for ensuring all personnel maintain any professional qualifications, licenses, permits, certifications and skills appropriate for the services to be performed.
- E. Contractor shall be responsible for conducting pre-employment background checks on all personnel. The background check will adhere to MNWD's background check policy. Contractor shall comply with the federal Drug-Free Workplace Act of 1988 and maintain a substance abuse program.
 - a. Contractor's personnel shall be subject to drug and alcohol testing upon hire.
 - b. Contractor shall test its employees as appropriate throughout the performance of services in accordance with its substance abuse program.
- F. Contractor shall ensure all field personnel properly display highly visible MNWD-approved identification badges.

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- G. Contractor shall ensure all field personnel wear MNWD-approved uniforms and personal protective equipment (PPE).
- H. Contractors shall ensure all field personnel vehicles have been approved by MNWD and properly display the Contractor's branding.

CUSTOMER MANAGEMENT

Contractor will be responsible for adhering to MNWD's AMI customer engagement strategy to ensure installation services are performed in accordance with requested services and associated service level agreements.

- A. Contractor will be provided MNWD-approved talking points and guidance regarding interacting with customers in the field.
- B. Contractor shall leave a MNWD-approved door hanger (or other similar communication material) identifying the work performed and/or incomplete.
- C. MNWD will regularly survey customers to measure customer satisfaction related to SmartPoint installation. Contractor shall meet or exceed established customer satisfaction service levels.

PROJECT MANAGEMENT AND REPORTING

Contractor will be responsible for project management, tracking, and reporting activities necessary to ensure installation services are performed in accordance with requested services and associated service level agreements.

- A. Contractor shall assign a single point-of-contact to serve as the Field Project Manager (FPM), responsible for day-to-day installation activities, and reporting directly to MNWD's AMI Project Management Office (PMO) team.
- B. The Contractor's FPM shall submit a weekly status reports per the AMI PMO status reporting process and attend monthly AMI PMO status meetings.
- C. Contractor shall provide all data/materials as requested by MNWD personnel in preparation for the meeting and then provide a summary read-out of the prior week's productivity, human performance errors, safety incidents, customer refusals and other notable deployment activities.
- D. Contractor shall adhere to all MNWD policies and processes as it relates to providing condition reports and corrective action plans for certain operational events (e.g. human error, injury, etc.).
- E. Contractor shall provide installation performance metrics as listed, but not limited to, below:
 - a. No. SmartPoints installed versus planned
 - b. No. Customer field refusals

- c. Repairs required by emergency crews
 - d. Repairs required by non-emergency crews
 - e. Repairs required by customer
 - f. Average number of field installers
 - g. New inflow of unique UTC locations
 - h. No. of completed unique UTC locations
 - i. No. of unworked unique UTC locations
 - j. No. of RTU Work Orders
 - k. No. of confirmed stuck/slow meters
 - l. No. safety incidents
 - m. No. customer complaints
 - n. UTC cause codes (examples):
 - i. SmartPoint Already Installed
 - ii. Animal in Yard
 - iii. Customer Denied Access
 - iv. Customer Requests Appointment
 - v. Curb or Valve Damaged
 - vi. Found Mixed Meters
 - vii. Hazardous Condition
 - viii. Meter Obstructed
 - ix. Service/Meter Removed
 - x. Customer Refusal
- F. Contractor shall notify a MNWD designated representative immediately after any safety incident or event which may result or which results from, but not limited to, the following:
- a. Property damage
 - b. Employee reports to a hospital

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- c. Theft
- d. Media related incident
- e. Injury
- f. Police report

SERVICE LEVEL

Contractor will be responsible for collaborating with MNWD in establishing meaningful Service Level Agreements necessary to installation services are performed in accordance with requested services. Representative Service Level Agreements include, but not limited, to the following:

- A. No. safety violations exceeds established limit
- B. Failure to report a safety violation within designated timeframe
- C. % of failed field audits exceeds designated limit
- D. % of poor workmanship exceeds designated limit
- E. % of RTUs exceeds established limit
- F. Failure to resolve reported installation issues within designated timeframe

Understanding of the Program and Specific Approach

In the 18 plus years that Ferguson Waterworks has been installing water meters and AMR/AMI technologies, we have been continually refining our installation processes and investing in upgrades to the features and benefits of our proprietary software. These refinements have been driven by requests from our customers as well as our desire to improve the efficiency and accuracy of our installations, using the most advanced technologies available in the marketplace. Our most recent investment was the development of a Smartphone app which captures and transfers all relevant data as the installation is taking place. Installation data is now available instantly in real-time, since the Smartphone app continually feeds data to our installation database. The Moulton Niguel Water District Staff would have visibility to the installations taking place via web-based read-only access to our installation database.



Meter & Automation Group

Projects My Account Dashboard Time/Mileage Messages Follow Up (187)

Project: Florence Demo Closed Projects [Set Default Project](#)

Addresses Find Work Order Find Activity Scheduling Global Tasks Open Tasks Reporting WO Reporting Status Map

Show: Route 13

- Team1: 15
- OTHER: 0

TODAY

- In Progress: 8
- Completed Today: 1

COMPLETE

- Complete: 0
- City Complete: 0
- City - No Service: 0
- Handoff Ready: 0

UNFINISHED

- READY: 0
- ATTENTION: 0
- UNSEEN: 8
- Scheduled: 0
- Unscheduled: 0

OFFICE

- Pending Repair: 0
- Pending Review: 0
- Pending City Repair: 0
- Snowbird: 0

NOT RELEASED

- Unassigned: 135

- 307 PARKVIEW CIR
- 163 S COIT ST
- 238 S COIT ST
- 405 S COIT ST
- 501 S COIT ST
- 510 S COIT ST
- 513 S COIT ST
- 615 S COIT ST
- 702 S COIT ST
- 714 S COIT ST
- 223 S COIT STA
- 415 S COIT STA
- 223 S COIT STB
- 210 MCLEOD ALY
- 212 MCLEOD ALY
- 310 MCLEOD ST
- 311 MCLEOD ST
- 312 MCLEOD ST
- 313 MCLEOD ST
- 314 MCLEOD ST
- 316 MCLEOD ST
- 317 MCLEOD ST
- 308 MCLEOD STA
- 313 MCLEOD STA
- 308 MCLEOD STB
- 1 TIMROD PARK DR
- 1 TIMROD PARK DR
- 1 TIMROD PARK DR
- 1 TIMROD PARK DR
- 1 TIMROD PARK DR
- 1 TIMROD PARK DR
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We track all aspects of the installation process within our proprietary software. We have broken down the installation process into 5 major items of importance.

Data Integration

Once a project is secured by a contract, it usually takes a couple weeks of mobilization before we are ready to begin the installs. Some tasks taking place during this phase include: arranging transportation and housing for Ferguson staff if necessary; securing name badges, uniforms, and signage for installer vehicles; printing of door tags and other notification materials (if necessary) and organizing installation tools and miscellaneous materials. The most important mobilization task, however, is the integration of data between the District's Utility Billing Software and our Ferguson installation database software. There will be much collaboration between the District's Project Administrator and Ferguson's Installation Project Manager. It is very important that all affected District departments participate during the initial phases of the deployment. The more involvement of District staff during the startup phase, the more successful the project will be. During mobilization, data downloads and uploads will be tested and verified. The inventory of MXU's will be loaded into the database as well. After review of the District's billing routes and geography, the universe of potential installations will be broken down into smaller batches and a mutually agreeable installation schedule will be finalized.

Installation

All Ferguson Waterworks employees undergo background checks according to our standard corporate policy. If the District requires its own additional background checks, we will submit any necessary information.

The installers are uniquely trained by Ferguson staff to successfully complete the contract. Each installer undergoes a minimum 8 hours of classroom training along with extensive hands-on training. Once in the field, our installers work alongside a lead installer for 1 week to fully understand the installation processes. This process helps to build the installer's confidence while giving the supervisory lead installer an opportunity to keep a close eye on the completed work. Based on the installer's mechanical aptitude and ability to follow direction, the field supervision staff will determine when an installer is ready to go out on his own. Newly hired installers are also given a reduced schedule for their first week to make sure they are able to handle the workload.

Each installer will be outfitted with Ferguson Waterworks uniforms, a photo ID badge, a supply of necessary hand tools, safety clothing/gear and a Smartphone. The Smartphones assigned to installers use bar code scanning technology to eliminate any manual entry of equipment installed at the customer premise. At the time of installation, we can also capture many other data items and store the information within our installation database. See Figure Below:

[Sacramento - Installs] / 420 HAGGIN AVE SACRAMENTO, CA / (206587)

Scheduling Activities Address Details Work Orders Photos Mobile Other Work Components Rules/Exam/Action History Set default user

Work Order #	Type	Status	Install Type	Contracted On	Modified On	Modified By	
319210	Work Order	Complete	BRD103PT	6/26/2014 7:14:16 AM	6/26/2014 9:15:16 AM	Sampedano	View Order

[Create New Unassigned Status Order](#)

WORK ORDER

Order No: 319210
 Type: Work Order
 Status: Complete
 Or Site Contact:
 Old Meter Number: 36472688
 Last Meter Reading: 31680
 Old Meter Final Read: Meter: 39222
 Outer:
 Install Type: BRD103PT
 New Meter Size: 1"
 New Meter Number: 36472688
 MXI Number: 3312228 Compound
 Meter Reading: 8968881
 MXI Location:
 Meter Type:
 GPS Latitude: 38.61672337383049
 GPS Longitude: -121.87242034159953
 Completed On: 6/26/2014
 Installer: Cur


SCHEDULING INFORMATION

SURVEY QUESTIONS (* required):

*1 Meter box issue:
 *2 Meter box lid: Filter
 *3 Meter box type: Filter
 *4 Meter box location: Saturated
 *5 Meter box size: 8.5" - 27" x 18"
 *6 Register type: Push
 *7 Hole in meter box lid: YES

SIGNATURES

PHOTOS



Ferguson Waterworks takes pride in the data capturing, retention, and transferring systems and processes built into its proprietary installation software. Once the data is pulled from the District's database or utility billing software (UBS), it is geographically or sequentially grouped, imported into Ferguson's database, and assigned a unique work order ID. Each one of the work orders brought over from the District's database will house all the original account information as well as the new information gathered during the course of the installation/replacement. Because the old account information co-exists with new information, data can be easily and efficiently uploaded back to the District's database or UBS.

Once a geographic zone of work orders has been released for installation, our software can further arrange that group of installs into an optimum sequence, batched by the expected number of daily installs. As production ramps up, the daily batch quantity can be modified. Each morning, the installer(s) will load his Smartphone with the next available batch of work orders. Based on the "old" account data attached to those work orders, the software will indicate the quantities of MXU's that the installer can anticipate to change-out that day. He will remove those suggested items from inventory, scanning each MXU to capture appropriate data, before leaving the warehouse. Each scheduled work order in the batch will also be "preloaded" with an install code based on the type of meter/MXU expected to be installed.

Once onsite, the installers will begin by accessing the work order and reviewing the "old" account data downloaded from the District's UBS. For each work order, they are able to review and verify the following items:

- Service Address
- Homeowner/Property Owner information
- Account
- Meter number
- Old radio number (if present)
- Old meter reading
- Meter size

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Once the installer has matched and confirmed physical information onsite to the electronic data in the Smartphone, he can proceed with installation. New data captured in the field consists of the following:

- Current reading of the meter - Our Smartphone application supports up to 4 distinct reads per work order.
- Final install code - If installation was as expected, the “preloaded” install code will be accepted. If not, the installer can amend the install code (with a series of dropdown boxes) to account for unusual circumstances and any additional materials required to complete the install. Any work orders whose install codes were amended are automatically flagged for further electronic review.
- Meter size - This is captured as a separate field to allow for better cross-verification and sorting of data before exporting it back to the District’s UBS.
- New meter number (if meter body is being replaced) - If meter body does not get replaced, the existing meter number is verified with the District’s data and recorded in this field.
- New MXU number - This field can support 2 distinct MXU numbers for compound meter applications.
- Meter type – This is used to classify what type of application the meter is in service for (example: main meter, irrigation water only, irrigation water deduct, and others).
- Completed date – This field is prefilled automatically with the current date when the installation/replacement is completed.
- Installer Name – We record this data to allow monitoring of installations based on installer.
- Survey questions – These fields can vary based on what information, if any, the District would want to capture during an installation. Typical survey questions include: main line size, main line type, and occupancy status.
- 3 or more time-stamped photos of the installation – Our standard photos include: before work started, current reading of existing meter, and final install photo. The installer will take additional photos if they encounter any conditions outside the “norm”, to aid in resolving any questions or discrepancies of the data.
- Notes – This field is often used by installers to specify anything out of the ordinary about an install/replacement.
- MXU Initialization Data – We are able to capture the install packet of information that is sent when an MXU is initialized, and store it by account, for possible future reference.

As the new information is being gathered during the install, it is continuously uploaded and “synced” with Ferguson’s database, providing real-time account information which can be accessed by the District Staff at any time. Based on varying cell phone coverage, our software has the flexibility to adjust the size of the data packets transferred from the Smartphone to the database, so that no data is lost or forced to be manually re-entered.

When data is received from the field, it passes through an electronic review. Any discrepancies are flagged in the system for review and resolution. Noted discrepancies may include but are not limited to the following:

- A meter/MXU number that is not found in inventory records
- A meter/MXU number that has already been entered for another address
- Any data returned for an address where the replacement has already been completed
- Any data from an installation where pre-installation data was unavailable for verification (unscheduled installations where a new record is created by the installer in the field)
- A scheduled installation that was cancelled and needs to be rescheduled
- Meter Size does not match meter serial #.

Quality Assurance

In order to insure a high degree of customer satisfaction, we do quality assurance checks on our installers' daily work. We will typically inspect 10% of the installations in the field on a consistent basis throughout the length of the project. Ferguson Waterworks will perform fieldwork inspection and quality control checks based on the following minimum requirements:

- All new installers will have 5 days of on-the-job training with a qualified lead installer or supervisor. This work will be 100% inspected and verified. Inspections will include the items listed on the QC Checklist below. During their second week of work, 50% of the new installers' work will be inspected and verified.
- Thereafter, if any installer is found to have an error rate greater than 1%, Ferguson supervisors would recommend the installer be retrained or terminated.
- Following retraining, 100% of the installer's work will be inspected for a probationary five-day period. If the error rate during this probationary period exceeds 1%, the installer will be removed from the project.
- All inspection results will be recorded in an auditable format, fully accessible to the District.
- Installations completed by employees who are terminated for not meeting installation quality standards will be further reviewed to determine if any corrective action needs to be taken by Ferguson Waterworks. The work reviewed will include all installations completed prior to the date of the first quality related infraction or at least two weeks prior to the date of termination. Additional review may be needed depending upon the results of the investigation.

Quality Checklist:

- Register/MXU properly installed
- Splices are performed properly (if required)
- Required digital photos are present
- District's survey questions have been answered

Qualifications and Experience

Project Team Overview

Eric Tracy – Business Development Manager, CA

- Eric has been in the water industry since 2005. Since receiving a degree in Commerce, Financing & Marketing from the University of Virginia in 1997, Eric has served in many capacities with manufacturing and distribution throughout his 14 years in the industry. His previous position was as a partner in a distribution firm that specialized in implementing meter systems and change-out programs in the California market. Eric's experience with meter technology dates back to 2005 and it spans all technological systems that have been marketed to the water industry – from the touchpad systems to the more modern fixed-base RF technologies. He is a software expert and will be a key person for leadership and expertise.

Wes Hughes, P.E. – California Installation Project Manager

- Wes is a Project Manager and will be a primary contact with the District. Wes has over 20 years' experience in the land development industry. He has been involved with projects from the aspects of design, agency approval, construction management and agency coordination. Wes has managed meter and AMI/AMR installation for 9+ years, primarily on the West Coast. He has overseen 10+ Sensus AMI/meter installation projects over the last few years in the Pacific North West. Wes' experiences include: the coordination of AMI infrastructure design and placement (whether on Utility sites or third-party non-utility assets), equipment, manpower, procurement, scheduling, and maintaining data integrity through the installation process.

Maverick Schirmer – Installation Project Manager/Lead

- Maverick has been installing meters and AMI radios for the last five years. Maverick will be the install Lead on this project. He has worked on numerous Sensus installation projects over the last few years and is an expert on Sensus MXU programming. He is very skilled in coordination with the Utility and works well overseeing the installation crews. Maverick currently lives very close to Moulton Niguel Water District.

Adam Milauskas – AMI/AMR Specialist

- Adam has been in the metering industry since 2009. He has an excellent understanding of what it takes to make a project successful. With experience in metering distribution ranging from operations to sales his knowledge will guide this project to be a success. Adam will be very active with district personnel in setting-up the right expectations and making sure the District is comfortable with the overall project and that stated goals are not just met but exceeded.

Celeste Moltzan – Operations Manager

- Celeste has been with Ferguson Waterworks since 1994. Prior to joining the Waterworks industry, she held positions in public accounting and commercial banking. She is a CPA and provides financial and budgetary reporting and analysis for internal management use. As part of the meter division, she is responsible for contract/bid analysis and compliance, preparation of contractor pay applications, internal account and financial reporting, and day-to-day operational issues of the meter division.

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**EXHIBIT B
FEE BREAKDOWN**

Exhibit B**Fee Breakdown**

- (1) Management Services—e.g., project mgmt., reporting, quality assurance, staffing
- (2) Tools & Equipment—e.g., installation tools, programming equipment, vehicles, uniforms
- (3) Data Integration—e.g., one-time cost for setting up data transfer processes
- (4) Installation—calculated based on installer wage (9) and installer productivity (10)
- (5) Other—e.g., installation materials, gel caps, touch couplers, wire
- (6) Total Cost—sum of all fixed and variable costs
- (7) No. Endpoints—total number of SmartPoints to be installed
- (8) Cost per Endpoint—total allocated cost per SmartPoint
- (9) Average number of installers, full-time equivalent (FTE)
- (10) Installer hourly rate, in accordance w/ California Labor Code ("Prevailing Wage Laws")
- (11) Avg Installer Productivity (No. endpoints installed per hr)

	(A) QTY	(B) PRICE	(C) = (A) * (B) COSTS	
	N/A	N/A	\$170,000	(1)
	N/A	N/A	\$60,000	(2)
	N/A	N/A	\$15,000	(3)
Variable Costs				
Installation	45,516	\$9	\$418,347	(4)
Other	45,516	\$10.65	\$484,745	(5)
		Total Cost:	\$1,148,092	(6) = SUM(1:5)
		No. Endpoints:	45,516	(7)
		Cost per Endpoint:	\$25	(8) = (6) / (7)
		Avg No. Installers (FTE):	3.0	(9)
		Installer hourly rate (\$ per hr):	\$41.82	(10)
		Avg Installer Productivity (No. endpoints installed per hr):	4.55	(11)

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**EXHIBIT C
PAYMENT BOND**

PAYMENT BOND

KNOW ALL PERSONS BY THESE PRESENTS:

THAT WHEREAS, the Moulton Niguel Water District (hereinafter referred to as “District”) has awarded to Ferguson Enterprises, LLC, dba Ferguson Waterworks, (hereinafter referred to as the “Contractor”) an agreement for AMI Radio Transceiver Deployment Phase III (hereinafter referred to as the “Project”).

WHEREAS, the work to be performed by the Contractor is more particularly set forth in the Contract Documents for the Project dated _____, (hereinafter referred to as “Contract Documents”), the terms and conditions of which are expressly incorporated herein by reference; and

WHEREAS, Principal is required to furnish a bond in connection with the contract described above; providing that if Principal or any of its Subcontractors shall fail to pay for any materials, provisions, provender, equipment, or other supplies used in, upon, for or about the performance of the work contracted to be done, or for any work or labor done thereon of any kind, or for amounts due under the Unemployment Insurance Code or for any amounts required to be deducted, withheld, and paid over to the Employment Development Department from the wages of employees of Principal and its Subcontractors with respect to such work or labor the Surety on this bond will pay for the same to the extent hereinafter set forth.

NOW THEREFORE, we, the Principal and _____ as Surety, are held and firmly bound unto the District in the penal sum of _____ Dollars (\$_____) lawful money of the United States of America, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH that if Principal, his or its subcontractors, heirs, executors, administrators, successors or assigns, shall fail to pay any of the persons named in Section 9100 of the Civil Code, fail to pay for any materials, provisions or other supplies, used in, upon, for or about the performance of the work contracted to be done, or for any work or labor thereon of any kind, or amounts due under the Unemployment Insurance Code with respect to work or labor performed under the contract, or for any amounts required to be deducted, withheld, and paid over to the Employment Development Department or Franchise Tax Board from the wages of employees of the contractor and his subcontractors pursuant to Section 18663 of the Revenue and Taxation Code, with respect to such work and labor the Surety or Sureties will pay for the same, in an amount not exceeding the sum herein above specified, and also, in case suit is brought upon this bond, all litigation expenses incurred by the District in such suit, including reasonable attorneys’ fees, court costs, expert witness fees and investigation expenses.

This bond shall inure to the benefit of any of the persons named in Section 9100 of the Civil Code so as to give a right of action to such persons or their assigns in any suit brought upon this bond.

It is further stipulated and agreed that the Surety on this bond shall not be exonerated or released from the obligation of this bond by any change, extension of time for performance, addition,

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alteration or modification in, to, or of any contract, plans, specifications, or agreement pertaining or relating to any scheme or work of improvement herein above described, or pertaining or relating to the furnishing of labor, materials, or equipment therefore, nor by any change or modification of any terms of payment or extension of the time for any payment pertaining or relating to any scheme or work of improvement herein above described, nor by any rescission or attempted rescission or attempted rescission of the contract, agreement or bond, nor by any conditions precedent or subsequent in the bond attempting to limit the right of recovery of claimants otherwise entitled to recover under any such contract or agreement or under the bond, nor by any fraud practiced by any person other than the claimant seeking to recover on the bond and that this bond be construed most strongly against the Surety and in favor of all persons for whose benefit such bond is given, and under no circumstances shall Surety be released from liability to those for whose benefit such bond has been given, by reason of any breach of contract between the District and original contractor or on the part of any obligee named in such bond, but the sole conditions of recovery shall be that claimant is a person described in Section 9100 of the Civil Code, and has not been paid the full amount of his claim.

The Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract to be performed thereunder, shall in any way affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of Contract, including but not limited to the provisions of Sections 2819 and 2845 of the California Civil Code.

IN WITNESS WHEREOF, two (2) identical counterparts of this instrument, each of which shall for all purposes be deemed an original thereof, have been duly executed by the Principal and Surety above named, on the ____ day of _____ 20____ the name and corporate seal of each corporate party being hereto affixed and these presents duly signed by its undersigned representative pursuant to authority of its governing body.

(Corporate Seal of Principal,
if corporation)

Principal (Property Name of Contractor)

By _____
(Signature of Contractor)

(Seal of Surety)

Surety

By _____
Attorney in Fact

Signatures of those signing for the Contractor and Surety must be notarized and evidence of corporate authority attached. A Power-of-Attorney authorizing the person signing on behalf of the Surety to do so must be attached hereto.

EXHIBIT D
PERFORMANCE BOND

PERFORMANCE BOND

KNOW ALL PERSONS BY THESE PRESENTS:

THAT WHEREAS, the Moulton Niguel Water District (hereinafter referred to as "District") has awarded to Ferguson Enterprises, LLC, dba Ferguson Waterworks, (hereinafter referred to as the "Contractor") an agreement for AMI Radio Transceiver Deployment Phase III (hereinafter referred to as the "Project").

WHEREAS, the work to be performed by the Contractor is more particularly set forth in the Contract Documents for the Project dated _____, (hereinafter referred to as "Contract Documents"), the terms and conditions of which are expressly incorporated herein by reference; and

WHEREAS, the Contractor is required by the Contract Documents to perform the terms thereof and to furnish a bond for the faithful performance of the Contract Documents.

NOW, THEREFORE, we, _____, the undersigned Contractor and _____ as Surety, a corporation organized and duly authorized to transact business under the laws of the State of California, are held and firmly bound unto the District in the sum of _____ DOLLARS, (\$_____), the sum being not less than one hundred percent (100%) of the total amount of the Contract, for which amount well and truly to be made, we bind ourselves, our heirs, executors and administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH, that, if the Contractor, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions and agreements in the Contract Documents and any alteration thereof made as therein provided, on its part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their intent and meaning; and shall faithfully fulfill all obligations including the one-year guarantee of all materials and workmanship; and shall indemnify and save harmless the District, its officers and agents, as stipulated in the Contract Documents, then this obligation shall become null and void; otherwise it shall be and remain in full force and effect.

As a condition precedent to the satisfactory completion of the Project, unless otherwise provided for in the Contract Documents, the guarantee obligation shall hold good for a period of one (1) year after the acceptance of the work by District, during which time if Contractor shall fail to make full, complete, and satisfactory repair and replacements and totally protect the District from loss or damage resulting from or caused by defective materials or faulty workmanship the above obligation in penal sum thereof shall remain in full force and effect. However, anything in this paragraph to the contrary notwithstanding, the obligations of Surety hereunder shall continue so long as any obligation of Contractor remains. Nothing herein shall limit District's rights or the Contractor or Surety's obligations under the Contract, law or equity, including, but not limited to, California Code of Civil Procedure section 337.15.

As a part of the obligation secured hereby and in addition to the face amount specified therefor, there shall be included costs and reasonable expenses and fees including reasonable attorney's fees, incurred by the District in enforcing such obligation.

Whenever Contractor shall be, and is declared by the District to be, in default under the Contract Documents, the Surety shall remedy the default pursuant to the Contract Documents, or shall promptly, at the District's option:

1. Take over and complete the Project in accordance with all terms and conditions in the Contract Documents; or
2. Obtain a bid or bids for completing the Project in accordance with all terms and conditions in the Contract Documents and upon determination by Surety of the lowest responsive and responsible bidder, arrange for a Contract between such bidder, the Surety and the District, and make available as work progresses sufficient funds to pay the cost of completion of the Project, less the balance of the contract price, including other costs and damages for which Surety may be liable. The term "balance of the contract price" as used in this paragraph shall mean the total amount payable to Contractor by the District under the Contract and any modification thereto, less any amount previously paid by the District to the Contractor and any other set offs pursuant to the Contract Documents.
3. Permit the District to complete the Project in any manner consistent with California law and make available as work progresses sufficient funds to pay the cost of completion of the Project, less the balance of the contract price, including other costs and damages for which Surety may be liable. The term "balance of the contract price" as used in this paragraph shall mean the total amount payable to Contractor by the District under the Contract and any modification thereto, less any amount previously paid by the District to the Contractor and any other set offs pursuant to the Contract Documents.

Surety expressly agrees that the District may reject any contractor or subcontractor which may be proposed by Surety in fulfillment of its obligations in the event of default by the Contractor.

Surety shall not utilize Contractor in completing the Project nor shall Surety accept a bid from Contractor for completion of the Project if the District, when declaring the Contractor in default, notifies Surety of the District's objection to Contractor's further participation in the completion of the Project.

The Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract to be performed thereunder, shall in any way affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of Contract, including but not limited to the provisions of Sections 2819 and 2845 of the California Civil Code.

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IN WITNESS WHEREOF, we have hereunto set our hands and seals this _____ day of _____, 20____.

CONTRACTOR/PRINCIPAL

Name

By _____

SURETY:

By: _____
Attorney-In-Fact

Signatures of those signing for the Contractor and Surety must be notarized and evidence of corporate authority attached.

The rate of premium on this bond is _____ per thousand. The total amount of premium charges, \$_____.
(The above must be filled in by corporate attorney.)

THE FOLLOWING INFORMATION IS MANDATORY

Any claims under this bond may be addressed to:

(Name and Address of Surety)

(Name and Address of Agent or Representative for service of process in California, if different from above)

(Telephone number of Surety and Agent or Representative for service of process in California)
