

I hereby certify that the following agenda was posted at least 24 hours prior to the time of the meeting so noticed below at 24251 Los Alisos Boulevard, Lake Forest, California.



DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and
the Board of Directors thereof



AGENDA

EL TORO WATER DISTRICT

SPECIAL MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 14, 2022

7:30 a.m.

Vice President Kay Havens will be attending remotely from:

5353 Algarrobo, No. 1B
Laguna Woods, CA 92637

Members of the public who wish to comment on any item within the jurisdiction of the District, or on any item on the agenda, may attend the meeting in person at the District's office or may observe and address the Meeting by joining at this link: <https://us02web.zoom.us/j/84584208527> (Meeting ID: 845 8420 8527).

Members of the public who wish only to listen to the telephonic meeting may dial in at the following numbers (669) 900-6833 or (346) 248-7799 with the same Meeting ID noted above. Please be advised the Meeting is being recorded.

CALL TO ORDER – President Freshley

PLEDGE OF ALLEGIANCE – Director Vergara

Special Board Meeting
February 14, 2022

ORAL COMMUNICATIONS/PUBLIC COMMENTS

Members of the public may address the Board at this time or they may reserve this opportunity with regard to an item on the agenda until said item is discussed by the Board. Comments on other items will be heard at the times set aside for "COMMENTS REGARDING NON-AGENDA ITEMS". The public may identify themselves when called on and limit their comments to three minutes.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

INFORMATION ITEMS

1. **Update on Financing Plan for Near-term Future Capital Projects**
(Reference Material Included)

Staff will provide an update on the status of the financing plan for upcoming large capital projects.

2. **Bond Rating Summary and Presentation** (Reference Material Included)

Staff will provide an update on the status of the S&P Bond Rating.

3. **Installment Purchase Agreement** (Reference Material Included)

Staff will lead a discussion regarding the Installment Purchase Agreement associated with the upcoming issuance of Water and Wastewater Revenue Bonds.

4. **Continuing Disclosure Agreement** (Reference Material Included)

Staff will lead a discussion regarding the Continuing Disclosure Agreement associated with the upcoming issuance of Water and Wastewater Revenue Bonds.

5. **Bond Purchase Contract** (Reference Material Included)

Staff will lead a discussion regarding the Bond Purchase Contract associated with the upcoming issuance of Water and Wastewater Revenue Bonds.

6. **Preliminary Official Statement** (Reference Material Included)

Staff will lead a discussion regarding the Preliminary Official Statement associated with the upcoming issuance of Water and Wastewater Revenue Bonds.

FINANCIAL ACTION ITEMS

7. **Resolution 22-2-1 Approving the Execution and Delivery of Certain Documents Associated with the Water and Wastewater Revenue Bonds, Series 2022A** (Reference Material Included)

Staff will review and comment on Resolution 22-2-1 which approves the execution of several documents necessary to facilitate the upcoming issuance of Water and Wastewater Revenue Bonds.

Recommended Action: Staff recommends the Board approve Resolution No. 22-1-1 approving the execution and delivery of certain documents associated with the Water and Wastewater Revenue Bonds, Series 2022A.

RESOLUTION NO. 22-2-1

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EL TORO WATER DISTRICT
APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT
PURCHASE AGREEMENT FOR THE PURPOSE OF CAUSING THE
ISSUANCE OF NOT TO EXCEED \$50,000,000 AGGREGATE
PRINCIPAL AMOUNT OF WATER AND WASTEWATER REVENUE
BONDS, SERIES 2022A, AND APPROVING THE EXECUTION AND
DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH
AND CERTAIN OTHER MATTERS

ADJOURNMENT

The agenda material for this meeting is available to the public at the District's Administrative Office, which is located at 24251 Los Alisos Blvd., Lake Forest, Ca. 92630. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate public inspection at the same location.

Request for Disability-Related Modifications or Accommodations

If you require any disability-related accommodation, including auxiliary aids or services, in order to participate in this public meeting, please telephone the District's Recording Secretary, Polly Welsch at (949) 837-7050, extension 225 at least forty-eight (48) hours prior to said meeting. If you prefer, your request may be submitted in writing to El Toro Water District, P.O. Box 4000, Laguna Hills, California 92654, Attention: Polly Welsch.



STAFF REPORT

To: BOARD OF DIRECTORS

Meeting Date: February 14, 2022

From: Jason Hayden, Chief Financial Officer

Subject: Revenue Bond Issuance – Documents for Review and Approval

The next step in the issuance of the Revenue Bonds that will fund the 2022-2025 capital projects and refinance the State Revolving Fund (SRF) Loans is the approval by the Board of documents that provide the legal authorization for the District to issue the Revenue Bonds. Following approval of these documents by the Board, a meeting of the El Toro Water District Financing Authority needs to be convened to approve the same documents plus one additional document. Assuming these actions are completed on February 14, the following activities will occur:

- February 15 to February 23 – Bank of America markets the Revenue Bonds;
- February 24 – Pricing for Revenue Bonds occurs based on bids from bond market participants;
- February 25 to March 9 – Closing procedures occur;
- March 10 – Closing of transaction, District should receive proceeds and SRF Loans will be paid off.

As an update, in the last two weeks several critical steps in the issuance process were completed, including:

- The California Statewide Communities Development Authority (CSCDA) approved the Joint Powers Authority (JPA) agreement with the District;
- The Preliminary Official Statement (POS) was finalized and provided to Standard and Poor's (S&P) prior to the bond rating conference call;
- The bond rating call with S&P occurred on 2/3/2022 and involved a two hour presentation to the S&P Municipal Bond Analysts by the General Manager, Chief Financial Officer, consultant staff from NHA Advisors Consultants, and Bank of America and Stradling Yocca Carlson & Rauth Staff.

The Resolutions that need to be approved by the Board and the El Toro Water District Financing Authority are included on the February 14, 2022 Special Board meeting agenda as Action Items. These resolutions authorize the execution of several individual documents necessary for the bond issuance.

Please note that the documents are approved by the Resolutions "...in substantially the form on file with the Secretary" because information needed to complete the documents is not yet available. The Resolutions authorize and direct the "Designated Officers", including the Board President, the Vice President, the General Manager, the Chief Financial Officer, and the Secretary of the District, to execute and deliver the documents with "such changes, insertions, and omissions as may be recommended by General Counsel and Bond Counsel".

This is an unusual procedure for the District. Most Resolutions approving contracts that are approved by the Board incorporate completed documents prior to approval. However, the bond issuance process is dependent on the Board approving documents that are not yet complete because the information needed to complete the documents is not yet available. The pricing for the bonds and the exact dates for the pricing and the closing are dependent on bids received for the bonds by bond market participants.

The Resolution directs the Designated Officers to act on behalf of the District to accept or reject the bond pricing which will be determined by the bids received (from Section 4 of the District's Resolution: "Each Designated Officer.....is hereby authorized and directed to execute and deliver such Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officer executing the same...."). However, Section 4 does establish some limiting parameters for the bonds which are approved by the Board: ("....that in no event shall the aggregate principal amount of the Bonds exceed \$50,000,000, nor shall the underwriting discount for the Bonds (excluding any net original issue discount) exceed 0.25% of the aggregate principal amount of the Bonds, nor shall the all-in true interest cost of the Bonds exceed 3.50%.").

The Documents that are approved by the Resolutions are included on the February 14, 2022 Special Board meeting agenda as the following individual information items.

1. Installment Purchase Agreement by and between El Toro Water District and El Toro Water District Financing Authority

The Installment Purchase Agreement is between the District and the Authority and establishes that the Authority will finance the acquisition of various capital projects to the water and wastewater system through the proceeds of Bonds, prepay the District's SRF loans, and the District will pay the semi-annual debt service payments to the Authority to purchase such projects. This agreement contains important covenants for the benefit of bondholders, including a covenant to set rates and charges at levels that are sufficient to repay the bonds and an additional debt test should the District enter into additional obligations in the future.

2. Continuing Disclosure Agreement

The Continuing Disclosure Agreement establishes all of the activities that are necessary for the District to comply with its obligations to report events that may have a material impact on a bond purchaser's decision to retain or sell the bonds, including changes that may need to be made to the Annual Financial Statements.

3. El Toro Water District Financing Authority, Water and Wastewater Revenue Bonds, Series 2022A, Bond Purchase Contract

In this agreement, BofA Securities (Underwriter) agrees to purchase all the Bonds from the Authority provided that the terms and conditions set forth therein are satisfied. BofA Securities will then sell the Bonds to investors. The agreement includes representations and warranties by the District and the Authority and a list of closing conditions.

4. Preliminary Official Statement, Dated February 16, 2022

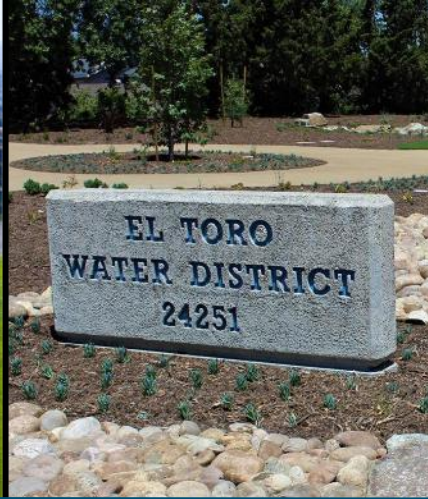
Disclosure Counsel prepares a preliminary Official Statement with input from the financing team including tables relating to the District's finances. Following Board authorization, the preliminary Official Statement will be distributed by the Underwriter and used as the primary marketing document to prospective bond purchasers. A table of contents identifies critical topics such as the plan of finance, security for the Bonds, information on the District (water, wastewater and recycled water systems, District management and finances), the continuing disclosure

requirements and the form of approving opinion of bond counsel. The agenda packet includes a draft of the preliminary Official Statement. A final Official Statement will be made available shortly after the Bonds are sold; it will be identical to the preliminary Official Statement except that it will reflect the final bond sale pricing information. The preliminary Official Statement and the Official Statement constitute securities disclosures for the benefit of the buyers of the bonds and are governed by federal securities laws.

Immediately following the El Toro Water District Board of Directors meeting on 2/14/2022, a meeting of the El Toro Water District Financing Authority will occur. The documents to be approved by the Board of Directors of the Financing Authority will include the same documents approved by the Board of Directors of the District (as listed above) plus the following document:

5. Indenture of Trust by and between US Bank Trust Company, National Association and El Toro Water District Financing Authority

This Indenture is between the Authority and the Trustee (US Bank), which sets forth the terms and conditions pursuant to which the Authority will pay the principal and interest payments of the Bonds when due to the Trustee. Under the Indenture, the Authority will deposit all payments received from the District pursuant to the Installment Purchase Agreement into an account held by the Trustee. The Trustee will be responsible for distributing the principal and interest payments to the Bond holders when due.



Rating Presentation

El Toro Water District Financing Authority

Water and Wastewater Revenue Bonds, Series 2022A

February 3, 2022



Presentation Team

El Toro Water District

Issuer

Dennis Cafferty
General Manager

Jason Hayden
Chief Financial Officer

NHA Advisors

Municipal Advisor

Mark Northcross
Principal

Leslie Bloom
Vice President

Matt DeFilippis
Analyst

Stradling Yocca Carlson & Rauth

Bond and Disclosure Counsel

Brad Neal
Shareholder

Cyrus Torabi
Shareholder

BofA Securities

Underwriter

Holly Vocal
Managing Director

Jeffrey Bower
Managing Director

Jack Tsang
Director

Geoffrey Sauers
Vice President

Samantha Fong
Analyst



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Overview of District Service Area

The Water System

The Wastewater System

Financial Management

2022 Water and Wastewater Revenue Bonds

Conclusion and Timeline





EXECUTIVE SUMMARY

Executive Summary

- ▶ El Toro Water District intends to issue approximately \$42 million in Bonds to fund new projects and prepay its outstanding SRF loans
 - ▶ Installment Payments payable from combined District Net Revenues (includes water, recycled water and wastewater revenues) secure the Bonds

The District's credit profile offers "AA" rated security for bondholders

- ▶ Tenured and proactive management with conservative financial management practices
- ▶ Long historical commitment by both Board and staff to consistently increase rates with little to no challenges from its customers on the prop 218 rate increase process
- ▶ Combined water and sewer utilities under Prop 218
 - ▶ Fixed revenues are high percentage (56%) of combined fixed and volumetric revenues
 - ▶ ETWD is well positioned to respond effectively to potential future State mandates for recycled water
- ▶ Stable and diverse residential customer base comprising 85% of water connections and 92% of wastewater connections
 - ▶ Southern Orange County is one of the strongest regions economically in California
- ▶ Available cash and investments of \$19.9 million including \$2.27 million in restricted cash that will no longer be restricted once SRF loans are prepaid from proceeds of 2022 Bonds
 - ▶ Cash reserve policy includes operating reserve, rate stabilization reserve, monthly cash flow reserve, capital replacements and refurbishment reserve
- ▶ Strong projected debt service coverage representative of AA category

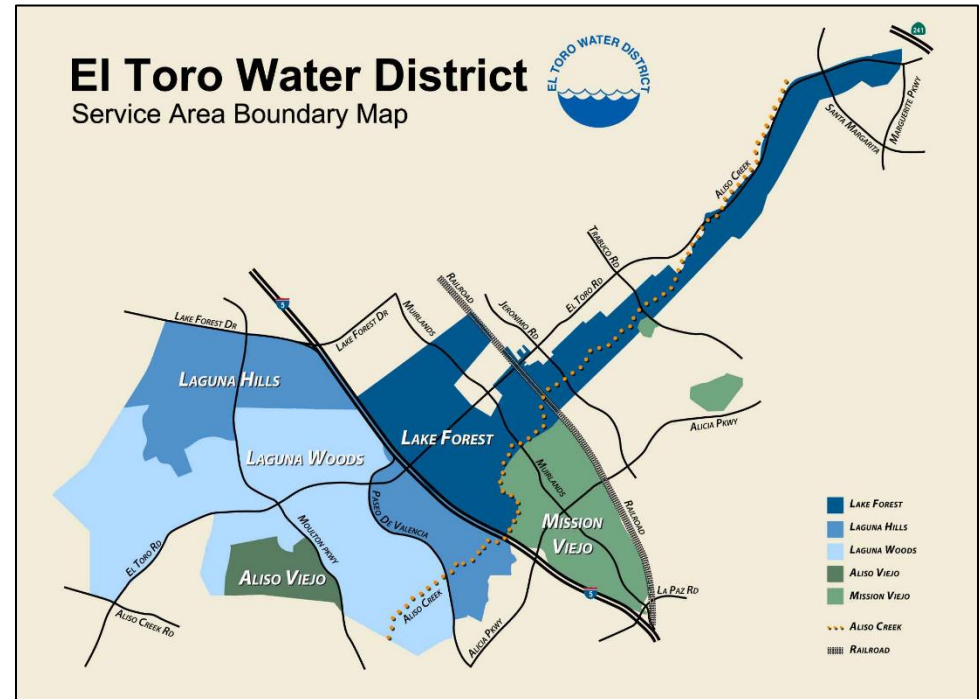




OVERVIEW OF DISTRICT SERVICE AREA

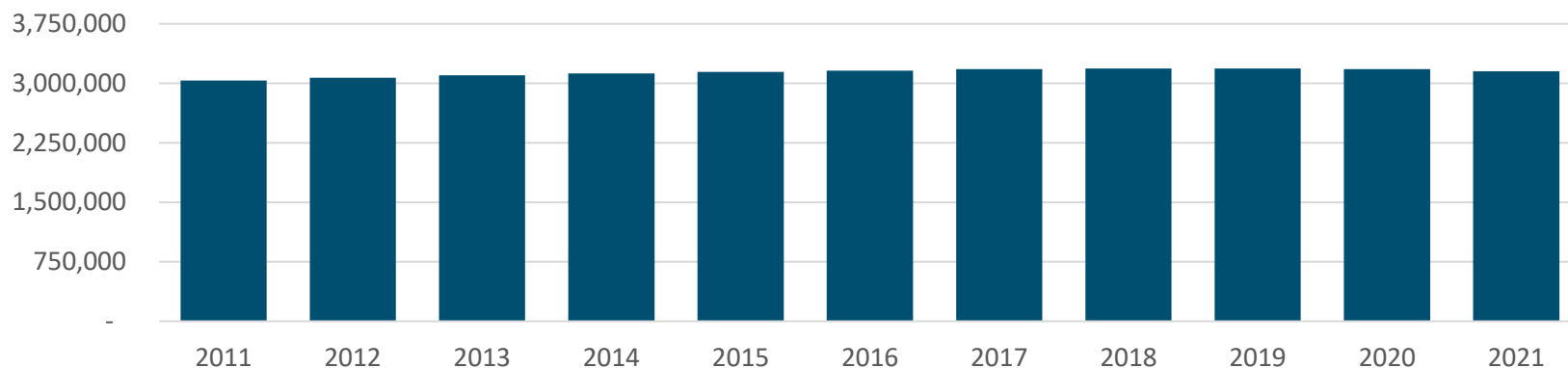
El Toro Water District (“District”) Overview

- ▶ The District is located in south Orange County (the “County”), approximately 50 miles southeast of downtown Los Angeles
- ▶ 8.48 square mile service area
 - ▶ Includes all of Laguna Woods and portions of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo
 - ▶ Estimated population of 48,000
- ▶ The District provides water, wastewater, and recycled water services to its service area
 - ▶ 9,709 Water System accounts
 - ▶ 9,017 Wastewater System accounts
 - ▶ 274 Recycled Water accounts
- ▶ As of June 30, 2021, the District had 61 full-time equivalent employees

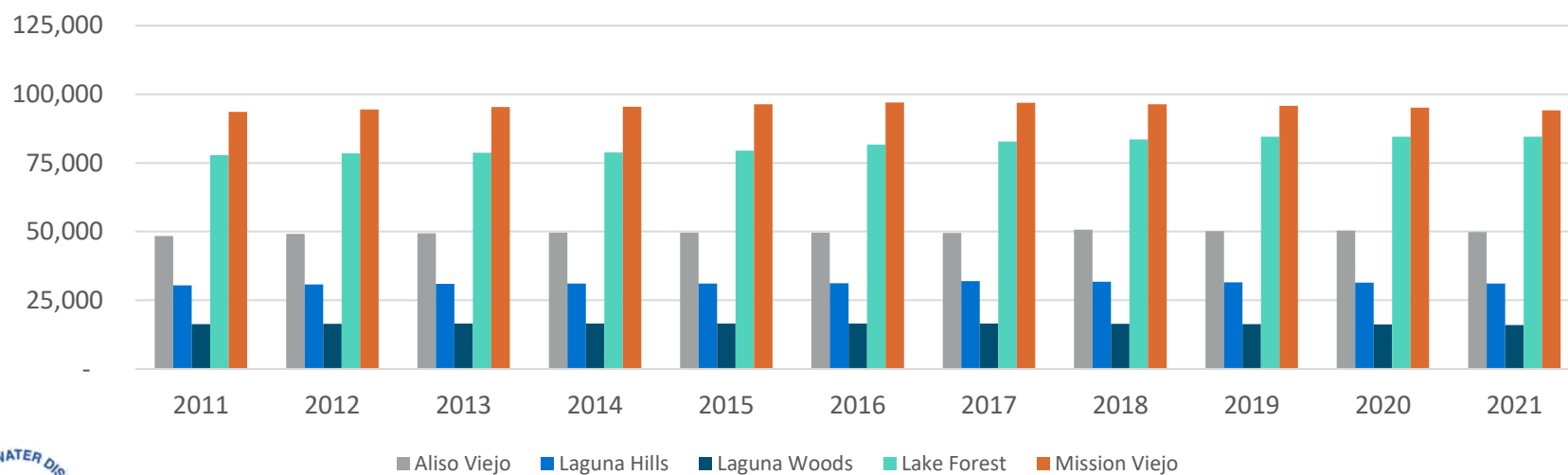


Steady Population in County and District Service Area

Orange County Population

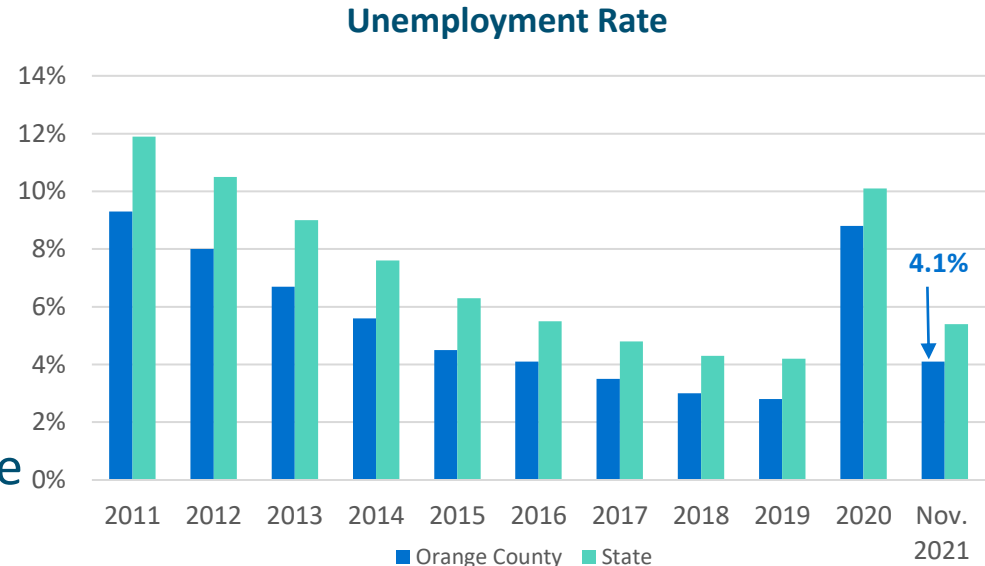


Full Population of Cities Served by the District



County Employment & EBI

- ▶ District service area has very strong economic fundamentals
- ▶ County unemployment rate of 4.1% lower than State 5.4% (Nov 2021)
- ▶ Median Household Income of District Service Area is 136% of national average



Source: U.S. bureau of Labor Statistics; Not Seasonally Adjusted. County unemployment rate for November is preliminary.

	Aliso Viejo	Laguna Hills	Laguna Woods	Lake Forest	Mission Viejo	District Total	Orange County	National
Median Household Income ¹	\$ 112,689	\$ 100,985	\$ 44,020	\$ 109,492	\$ 118,477		\$ 90,234	\$ 62,843
As a % of National	179%	161%	70%	174%	189%		144%	
City's Percentage Share of District's Total Service Area ²	4%	21%	36%	27%	12%			
District Service Area Weighted MHI	\$ 4,508	\$ 21,207	\$ 15,847	\$ 29,563	\$ 14,217	\$ 85,342		
District Service Area Weighted MHI as % of National						136%		

¹US Census Bureau, 2019 dollars

² El Toro Water District Annual Financial Report for Fiscal Year Ending June 30, 2021, page 64.



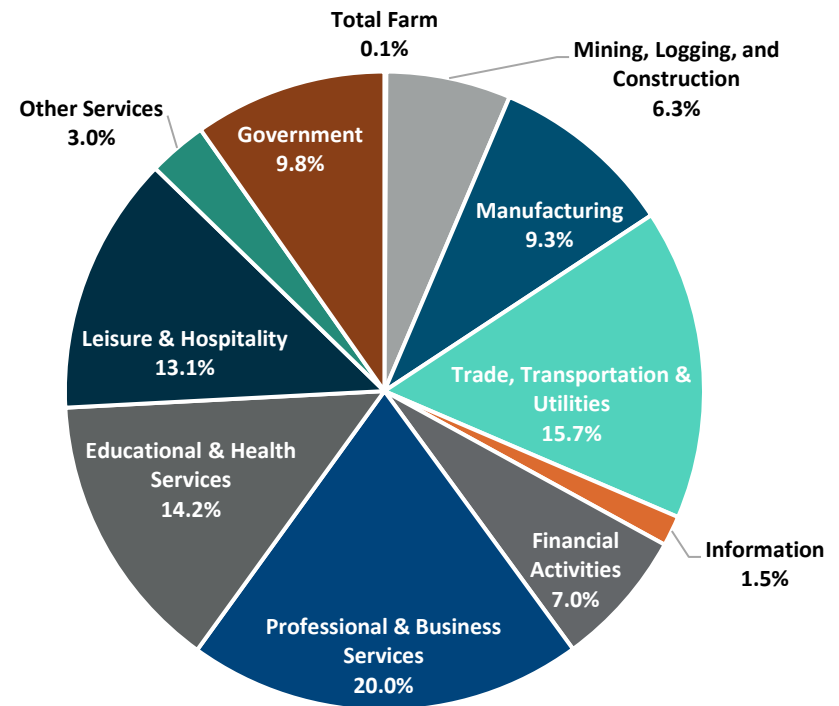
Diversified Economic Base

District

Anaheim-Santa Ana-Irvine Metropolitan Division (MD)

- ▶ The Anaheim-Santa Ana-Irvine MD has a diversified economic base
- ▶ Top industry employers include Professional & Business Services and Trade, Transportation & Utilities
- ▶ The District benefits from its location within Southern Orange County

Anaheim-Santa Ana-Irvine MD Employment by Industry



MD Labor Force - December 2021 (Preliminary)

Total, All Industries	1,632,400
Top Three Industries	815,300
(1) Professional & Business Services	326,700
(2) Trade, Transportation & Utilities	256,700
(3) Educational & Health Services	231,900



Source: State of California, Employment Development Department, Labor Market Information Division, Anaheim-Santa Ana-Irvine Metropolitan Division (Orange County) Labor Force and Industry Employment.

Potential New Development

District

The Village at Laguna Hills

- ▶ Potential redevelopment of the former Laguna Hills Mall property into a mixed-use development
 - ▶ May incorporate as many as 1,500 new residences along with new shopping and other amenities
 - ▶ Development plan or timeline has not yet been approved
 - ▶ District has not included potential development into the projected number of connections
 - ▶ If development occurs, District could realize an approximately 15% increase in connections (1,500 proposed residences / 10,000 current connections) along with significant revenue from the Water and Wastewater Capital Facility fees, in the next three to five years





THE WATER SYSTEM

Overview of Water System

- ▶ As of FYE 2021, the District supplied potable water to 9,709 accounts
 - ▶ 8,287 residential; 707 commercial; 715 governmental, institutional, and other
 - ▶ Homeowner's associations comprise a significant share of the customer base
- ▶ The District imports most of its treated and untreated water from the Municipal Water District of Orange County ("MWDOC"), a member agency of The Metropolitan Water District of Southern California ("MWD"), but also derives some untreated water from Irvine Lake
 - ▶ Untreated water is treated at Baker Water Treatment Plant, owned and operated by Irvine Ranch Water District ("IRWD")
- ▶ The District maintains interconnections with IRWD, Moulton Niguel Water District ("MNWD"), Santa Margarita Water District ("SMWD"), and other agencies as an emergency source of supply
- ▶ Water System infrastructure includes
 - ▶ 180 miles of water mains
 - ▶ 12 pressure zones
 - ▶ 8 pump stations
 - ▶ 19 pressure reducing stations
 - ▶ 6 storage reservoirs (combined 287 million gallons)



Water Supply

Imported Water

- ▶ Of the District's FY 2020-21 potable water supply,
 - ▶ 46% consisted of imported treated water that the District purchased from MWD through MWDOC
 - ▶ 38% consisted of imported untreated water that the District purchased from MWD through MWDOC, and treated at the Baker Water Treatment Plant
 - ▶ 17% consisted of imported treated water that the District purchased from MNWD through an interconnection. MNWD imports all potable water from MWD through MWDOC
- ▶ As of June 30, 2021, the cost of treated and untreated imported water from MWDOC is \$1,104 per acre foot and \$777 per acre foot, respectively
- ▶ The District also pays a fixed charge to MWDOC in the form of readiness to serve, capacity reservation and service connection charges

Local Water

- ▶ 2.5% of the District's FY 2020-21 potable water supply consisted of precipitation and local surface water runoff stored at Irvine Lake. Such water is available at IRWD's discretion.
- ▶ Water stored at Irvine Lake is treated at the Baker Water Treatment Plant prior to delivery to customers

Future Water Supplies

- ▶ The District is evaluating two potential desalination projects in Orange County

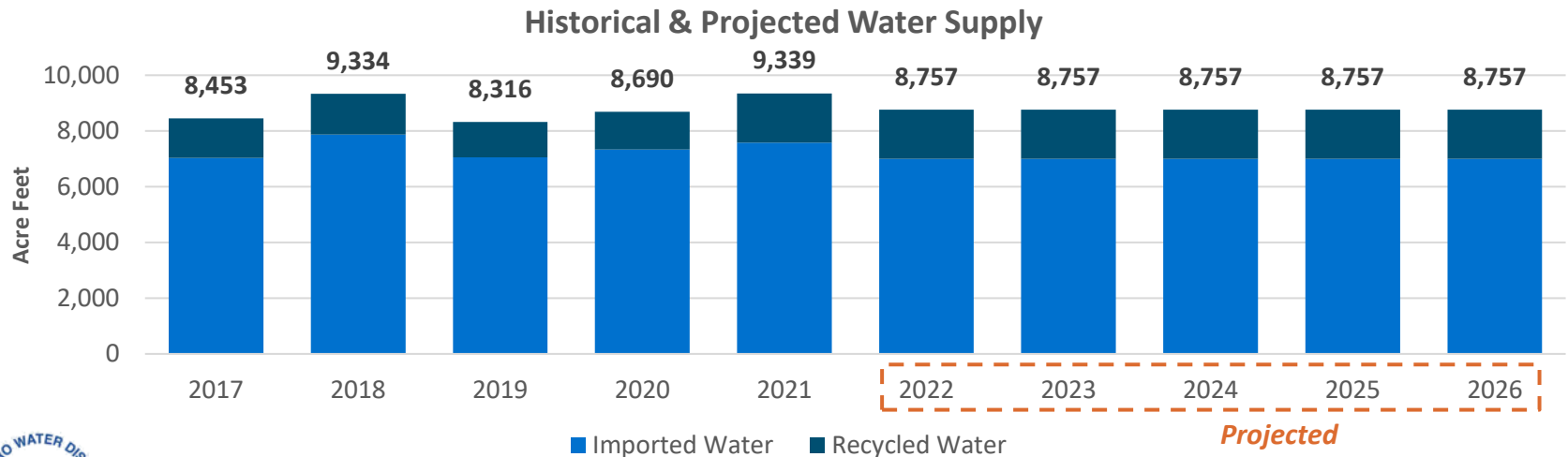


Water Supply

District

Historical and Projected

- ▶ Supply breakdown as of FYE 2021:
 - ▶ 81.2% Imported Water
 - ▶ 18.8% Recycled Water (accounted for as part of the Wastewater System)
- ▶ Decrease in 2019 reflects wet hydrological year
- ▶ The District does not project any increases in water supply over the next five years
 - ▶ Supply may increase or decrease in the future based on numerous variables, such as hydrological conditions, number of connections, or State mandates



Source: El Toro Water District

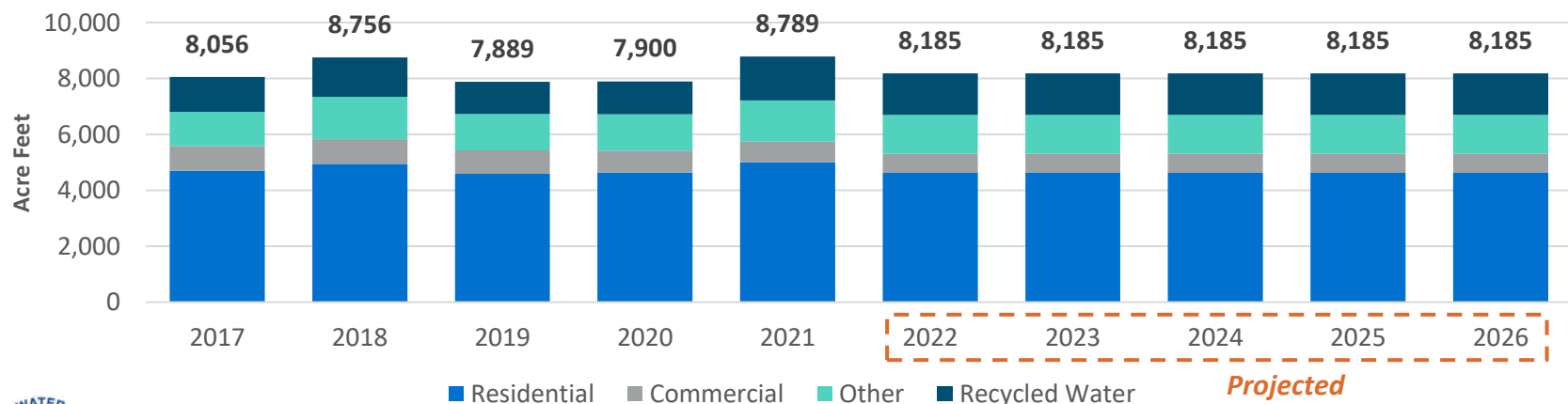
Water Deliveries*

District

Historical and Projected

- ▶ Delivery breakdown as of FYE 2021:
 - ▶ 56.9% Residential
 - ▶ 8.5% Commercial
 - ▶ 16.7% Other
 - ▶ Includes potable water deliveries to institutional, government, and other customers
 - ▶ 17.9% Recycled Water
- ▶ The District does not project any increases in water deliveries over the next five years
 - ▶ Consistent with the District's flat projections for water supply and water connections

Historical & Projected Water Deliveries



*Differences between water deliveries and water supply reflect unaccounted for water, including water losses and inaccuracies in water meter readings

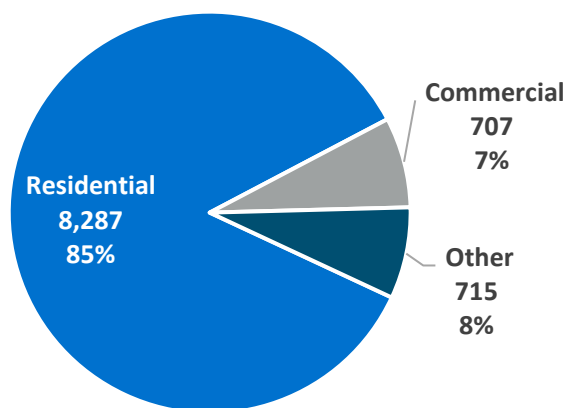
Source: El Toro Water District



Water Customer Breakdown and Largest Users

- ▶ The water system serves 9,709 connections
 - ▶ Residential connections comprise 85% of connections
- ▶ The District's service area is built out (very small change in connections since 2017)
 - ▶ Potential redevelopment within the District's service area provides the opportunity for more connections
- ▶ Top 10 water customers are anchored by Homeowners Associations ("HOA")

Water System Connections by
Connection Type
(FYE 2021)



Ten Largest Water System Customers (FYE 2021)

Customer	Customer Type	Billing	% of Total Water Sales Revenues
VMS INC - UNITED	HOA	\$2,019,787	13.8%
VMS INC - THIRD	HOA	\$1,747,306	11.9%
LAGUNA VLG. OWNERS' ASSOC INC.	HOA	\$399,362	2.7%
CITY OF LAKE FOREST	Municipality	\$305,217	2.1%
VMS INC - GOLDEN RAIN	HOA	\$218,762	1.5%
ALISO CREEK VILLAS HOA	HOA	\$201,707	1.4%
PMI PRADO LLC	HOA	\$170,194	1.2%
SADDLEBACK COMM HOSPITAL	Institutional	\$168,751	1.2%
PHEASANT CREEK - CONDO ASSOC.	Multi-Family	\$134,024	0.9%
SADDLEBACK VLY SCH DIS	Institutional	\$132,506	0.9%
Subtotal		\$5,497,615	37.5%
Total Water Sales Revenues		\$14,641,888	

Source: El Toro Water District



The Role of Homeowner's Associations ("HOA's") in District ETWD's Customer Base

- ▶ Approximately 40% of the District's customers are represented by HOAs
 - ▶ HOAs represent hundreds of customers
- ▶ Largest HOA's are located within the City of Laguna Wood retirement community
- ▶ The HOAs are master metered
 - ▶ Residents pay for their water and wastewater costs through HOA dues and do not receive a water bill
- ▶ No HOA delinquencies within memory of current District staff



Water System Rates & Charges

- ▶ The District annually determines the adequacy of the charge structure for water service
- ▶ In June 2021, the District Board adopted rates for FY 2021-22
- ▶ The District expects to increase its fixed monthly charge each year from FY 2022-23 through FY 2025-26
 - ▶ District staff have proactively prepared the Board for this
- ▶ Water rates and charges are composed of the following:
 - ▶ **Commodity Rate:** Includes usage tiers of different rates
 - ▶ **Fixed Monthly Charge:** Includes an Operations & Maintenance Charge and a Capital Replacement & Refurbishment Charge

Water Commodity Rates per HCF

Water Use Type	Rate
Single Family Residential Tier 1	\$2.72
Single Family Residential Tier 2	\$3.11
Single Family Residential Tier 3	\$6.78
Single Family Residential Tier 3	\$8.52
Commercial/Institutional/Industrial	\$3.14

Fixed Monthly Water Service Charges

Meter Size	Operations & Maintenance	Capital Replacement & Refurbishment	Total
5/8"	\$16.56	\$4.66	\$21.22
3/4"	\$22.24	\$4.66	\$26.90
1"	\$33.60	\$7.78	\$41.38
1.5"	\$62.00	\$18.91	\$80.91
2"	\$118.80	\$47.47	\$166.27

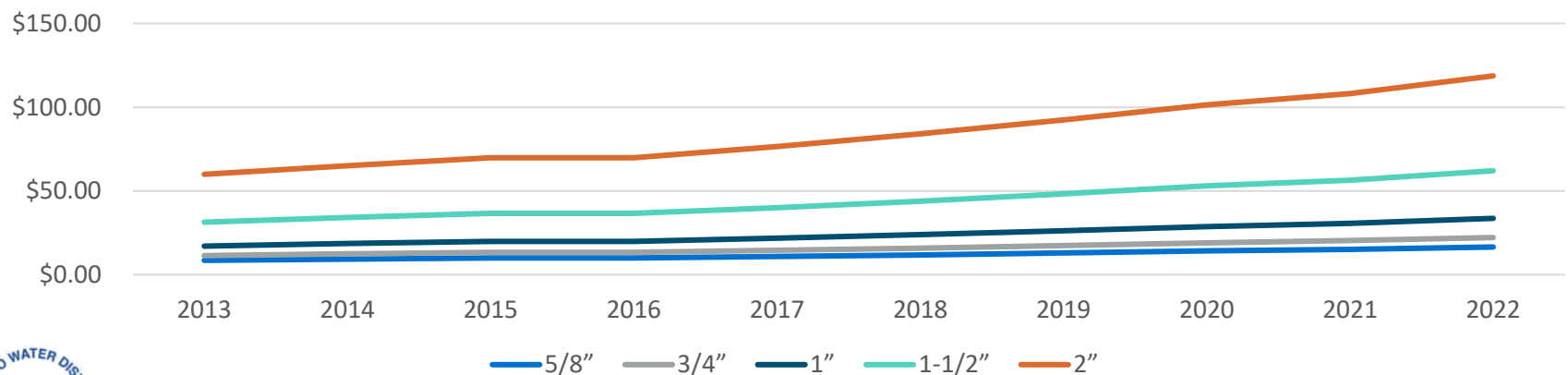


History of Slow and Steady Annual Rate Increases

- ▶ The District has a proven history of slow and steady annual water rate increases
 - ▶ Since FYE 2013, the water usage rates increased every year except FYE 2017 and FYE 2019
 - ▶ Water maintenance and operations charge has increased every year except for FYE 2017

Monthly Tiered Water Usage Rates											Average Annual Increase 2013-2022
Fiscal Year End:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Tier I	2.07	2.19	2.34	2.46	2.46	2.52	2.52	2.58	2.65	2.72	3.08%
Tier II	2.47	2.59	2.68	2.83	2.83	2.91	2.91	2.97	3.04	3.11	2.59%
Tier III	4.79	4.91	5.04	5.61	5.61	6.08	6.08	6.14	6.21	6.78	3.94%
Tier IV	6.35	6.47	7.04	7.18	7.18	7.82	7.82	7.88	7.95	8.52	3.32%
Commercial	2.30	2.42	2.63	2.79	2.79	2.89	2.89	2.95	3.02	3.14	3.52%

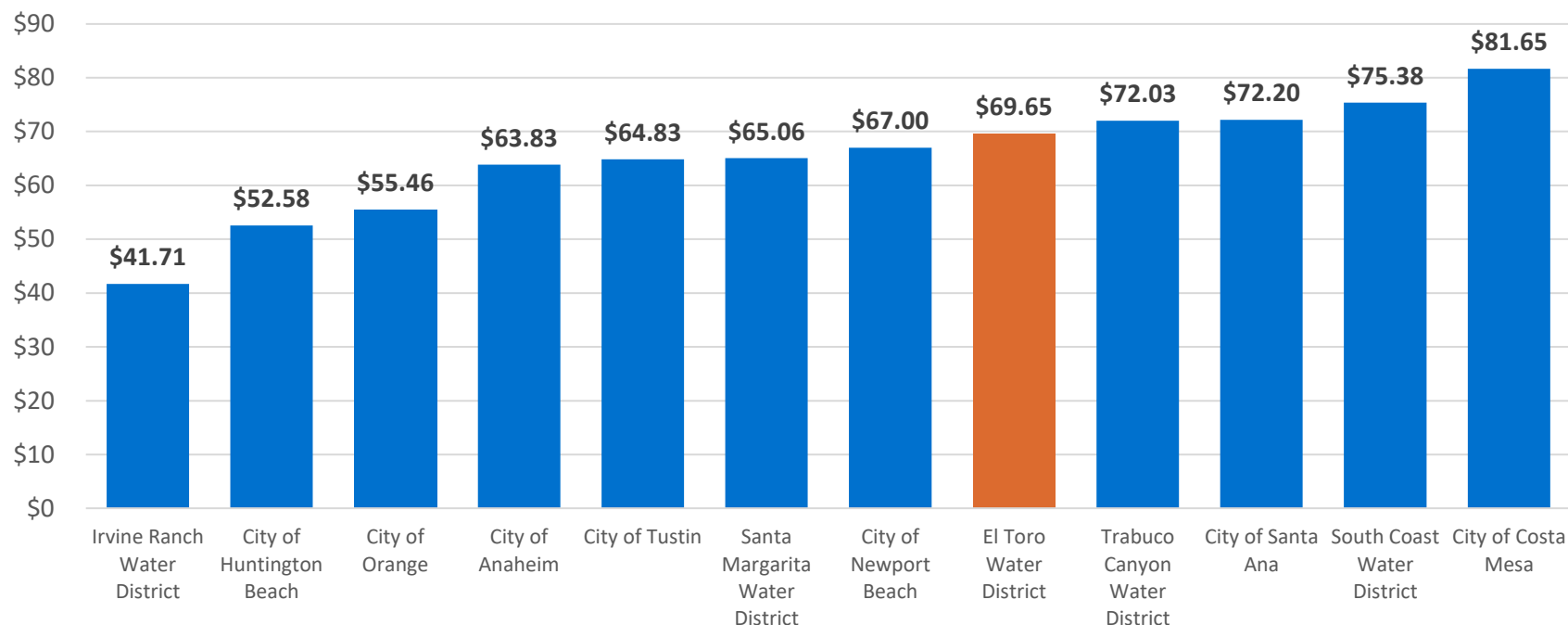
Monthly Water Maintenance & Operations Charge by Meter Size



Comparison to Surrounding Agencies

Water Rate Comparison

Monthly Single-Family Residential Water Bill (Based on 15 ccf / month)
As of October 1, 2021



- ▶ The District's single-family residential monthly bill of \$69.65 is 0.93% of Orange County's 2021 median household income¹

Note that for IRWD, the first 6 HCF is billed at the low volume rate of \$1.47 and next 9 HCF is billed at \$2.00. Excludes ad valorem assessments.

Source: El Toro Water District

¹ Annual bill as % of County median household income of \$90,234 per US Census Bureau Quick Facts (2019 dollars)



Water System Connection Fees

- ▶ The District charges a Water Capital Facility fee for new and/or increased capacity
- ▶ The Water Capital Facility fee consists of two components:
 - ▶ **Meter Component**
 - ▶ **Water Supply Charge Component:** Designed to offset the cost of supply to serve a project
 - ▶ Calculated as Project Demand (AFY) * \$8,900/AFY

Water System Connection Fees	
Meter Size	Connection Fee
5/8"	\$2,145
3/4"	\$2,145
1"	\$3,582
1.5"	\$8,708
2"	\$21,856

- ▶ The District does not budget for or include connection fees in its revenue projections

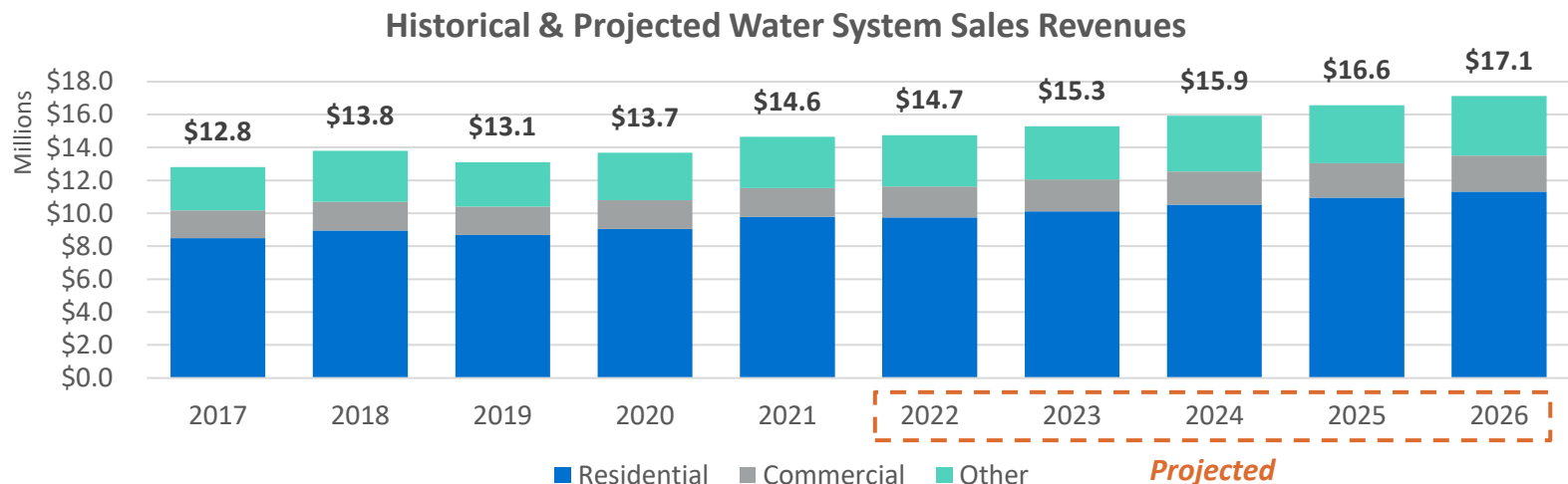


Water System Sales Revenues

District

Historical and Projected

- ▶ Water system sales revenues have increased 14% from FYE 2017 to FYE 2021
 - ▶ Decrease in FYE 2019 reflects a wet hydrological year
- ▶ Water system sales revenues are projected to increase 3.8% each year, on average, from FYE 2022 to FYE 2026
 - ▶ Projections are based on assumed rate increases of approximately 3.5%-4.0% each year from FYE 2022 to FYE 2026



Source: El Toro Water District

Water & Wastewater System Collection Procedures

- ▶ A consolidated bill (including wastewater charges) is sent to customers every month for services rendered in the prior month
- ▶ All accounts with charges for services that are at least sixty (60) days past due are subject to discontinuation of service proceedings
- ▶ As of 12/31/2021, less than 2% of water and wastewater system customers were delinquent
 - ▶ Higher than historical average of approximately 0.50%; likely the result of the suspension of water shutoffs during the COVID-19 outbreak
- ▶ The District anticipates write-offs of uncollectible accounts of \$20,000 for FYE 2022
 - ▶ District plans to offer delinquent customers longer-term payment arrangements and to apply California Water and Wastewater Arrearage Payment Program funds to cover write-offs
 - ▶ District has submitted an application to the CWWAPP to cover delinquencies by commercial and residential customers during the period between March 4, 2020 and June 15, 2021
 - ▶ Applied for water service arrearages totaling \$55,000 and expects to apply in early 2022 for approximately \$20,000 in CWWAPP funding to cover wastewater service arrearages

	Total Write-Offs as % of Sales					
	2017	2018	2019	2020	2021	5-Year Avg
Written off as uncollectible	26,757	10,645	20,995	6,215	18,672	
Total Water/Wastewater/Recycled Water Sales	23,572,948	24,870,617	24,053,097	24,727,939	26,138,545	
% Written off	0.11%	0.04%	0.09%	0.03%	0.07%	0.07%



Drought Measures and Resiliency

- ▶ Neither MWD nor MWDOC announced supply cutbacks (related to the California Department of Water Resources (“DWR”) limited allocations) for FY 2020-21 or FY 2021-22
- ▶ The District’s Water Shortage Conservation Plan (“WSCP”) meets State guidelines and outlines how the District will respond to a water shortage
- ▶ The District does not expect that implementing its WSCP will materially affect its ability to pay the Installment Payments from Net Revenues
- ▶ The District’s variable and fixed rate structure contributes to drought resiliency
 - ▶ Decreased water revenue is substantially offset by a decrease in related variable costs, while fixed water charges largely cover the Water System’s fixed operating and maintenance costs





THE WASTEWATER SYSTEM

Overview of the Wastewater System

- ▶ The District is the sole provider of sanitary sewer collection service within its service area
- ▶ As of FYE 2021, the District provided wastewater service to 9,017 connections
 - ▶ 8,287 single-family residential
 - ▶ 707 commercial
 - ▶ 23 governmental, institutional, and other
- ▶ District customers generate an average of approximately 3.6 mgd of wastewater
 - ▶ The District-owned Water Recycling Plant (“WRP”) has an average flow capacity of 5.4 mgd, secondary treatment capacity of 6.0 mgd, and tertiary treatment capacity of 3.7 mgd
- ▶ The Wastewater System includes
 - ▶ 124 miles of sewer pipelines ranging from 4” to 24” in diameter
 - ▶ 11 lift stations
 - ▶ WRP
- ▶ Treated effluent that is not recycled is disposed of through the Aliso Creek Ocean Outfall
 - ▶ The Aliso Creek Ocean Outfall is a facility of the South Orange County Wastewater Authority (“SOCWA”), a JPA of which the District is a member
 - ▶ The District maintains an ownership interest of 16.3% (8.15 mgd) of the operating capacity of the Outfall
 - ▶ The District’s payments to SOCWA constitute Operation and Maintenance Costs of the Wastewater System



Overview of the Recycled Water System

- ▶ Wastewater treated to tertiary levels at the WRP is suitable for delivery to recycled water customers
- ▶ The District began large-scale production of recycled water to multiple customers in 2015
- ▶ In FY 2020-21, 39% of the District's wastewater flow was delivered to 274 recycled water customers, primarily for landscape irrigation
- ▶ The WRP's tertiary treatment facilities were designed with the ability to expand capacity up to the expected maximum amount of raw wastewater entering the plant
- ▶ The District maintains 26 miles of recycled water pipelines
- ▶ The Recycled Water System is accounted for as part of the Wastewater System
 - ▶ But with a combined water/sewer system under Prop 218, there are no Prop 218 issues with recycled water billing

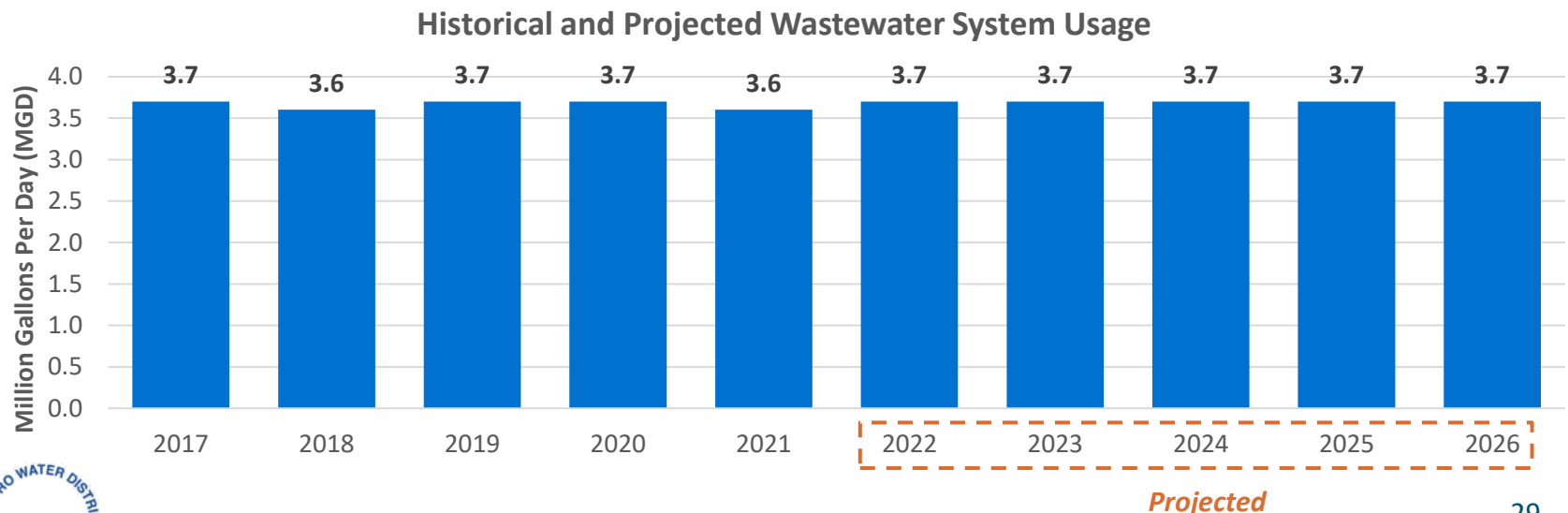


Wastewater System Usage

District

Historical and Projected

- ▶ Consistent wastewater system usage from FY 2016-17 to FY 2020-21
- ▶ The District does not project any increases in wastewater system usage over the next five years
 - ▶ Usage may increase or decrease in the future based on numerous variables, such as number of connections and water conservation efforts



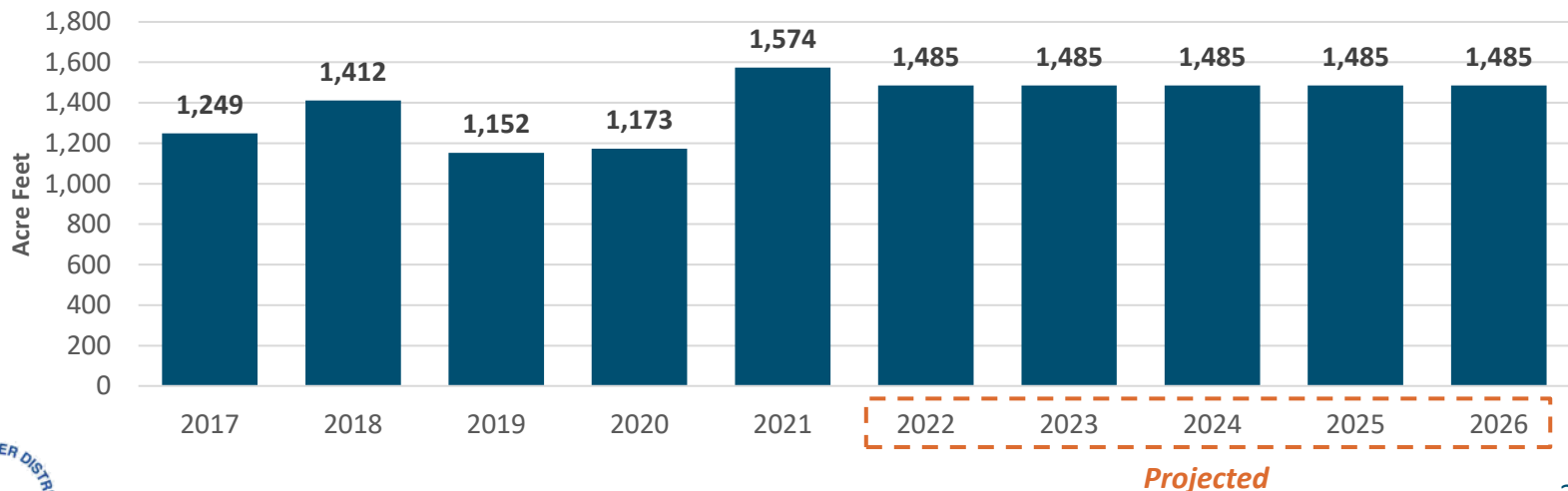
Recycled Water Sales

District

Historical and Projected

- ▶ The District experienced its largest volume of recycled water sales (1,574 acre-feet) in FY 2020-21
- ▶ The District does not project any increases in recycled water sales over the next five years
 - ▶ Sales may increase or decrease in the future based on numerous variables, such as the amount of winter precipitation

Historical & Projected Recycled Water Sales

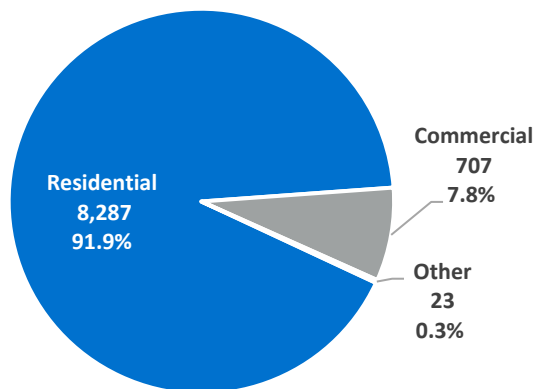


Source: El Toro Water District

Wastewater Customer Breakdown & Largest Users

- ▶ The wastewater system serves 9,017 connections
 - ▶ Residential connections comprise 92% of connections
- ▶ The District's service area is built out (very small change in connections since 2017)
 - ▶ Potential redevelopment within the District's service area provides the opportunity for more connections
- ▶ Top 10 wastewater customers are anchored by Homeowners Associations ("HOA")

Wastewater Connections by Connection Type
(FYE 2021)



Ten Largest Wastewater Service Customers (FYE 2021)

Customer	Customer Type	Annual Payment	% of Total Wastewater Service Charge Revenues
VMS INC - UNITED	HOA	\$1,758,475	15.3%
VMS INC - THIRD	HOA	\$1,686,407	14.7%
LAGUNA VLG. OWNERS' ASSOC INC.	HOA	\$306,061	2.7%
SADDLEBACK COMM HOSPITAL	Institutional	\$146,252	1.3%
PHEASANT CREEK - CONDO ASSOC.	Multi-family	\$140,833	1.2%
ALISO CREEK VILLAS HOA	HOA	\$137,498	1.2%
PMI PRADO LLC	HOA	\$120,410	1.0%
OAKBROOK URBAN VILLAGE I LLC.	HOA	\$97,818	0.9%
PACIFICA LAGUNA HILLS LLC	HOA	\$97,676	0.8%
EL TORO MOBILE ESTATES	Multi-family	\$91,276	0.8%
Subtotal		\$4,582,707	39.9%
Total Wastewater Service Charge Revenues		\$11,496,659	



Recycled Water Connections & Largest Users

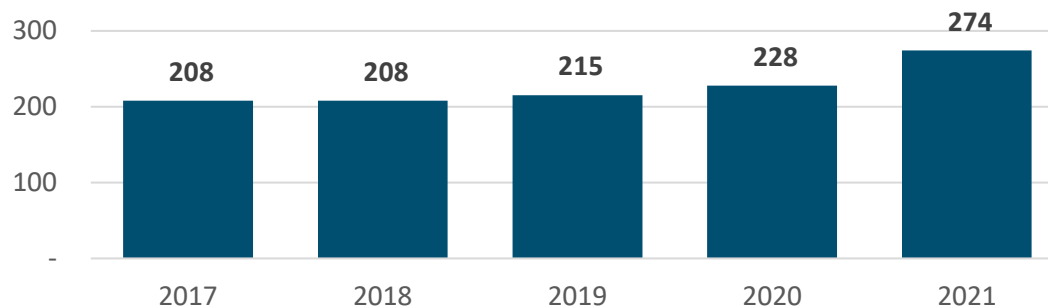
- ▶ Recycled water connections have grown since beginning large-scale production of recycled water in 2015

- ▶ 32% growth since 2017

- ▶ Top 10 recycled water customers account for 19.24% of total Wastewater System Service charges and 94.49% of recycled water service charges in FYE 2021

- ▶ Largest customers include HOAs comprised of hundreds of individual residential customers. Recycled water is served by the HOA to the common areas within the residential development.

Historical Recycled Water Connections
(FYE 2017-2021)



Ten Largest Recycled Water Customers (FYE 2021)

Customer	Customer Type	Annual Payment	% of Total Wastewater Service Charge Revenues
VMS - Third HOA	Recycled	\$1,219,847	10.61%
Laguna Woods Golf Course	Recycled	\$398,048	3.46%
Laguna Village Owners Association	Recycled	\$208,630	1.81%
VMS - United HOA	Recycled	\$105,141	0.91%
VMS - Golden Rain	Recycled	\$95,525	0.83%
Casa De Laguna Association	Recycled	\$50,848	0.44%
City of Laguna Hills	Recycled	\$50,191	0.44%
Willows Foundation Inc	Recycled	\$40,565	0.35%
City of Laguna Woods	Recycled	\$22,541	0.20%
Laguna Woods Mutual 50 HOA	Recycled	\$20,803	0.18%
Subtotal		\$2,212,139	19.24%
Total Wastewater Service Charge Revenues		\$11,496,659	

Source: El Toro Water District



Wastewater System Rates & Charges

- ▶ The District annually determines the adequacy of the charge structure for wastewater service
- ▶ In June 2021, the District Board adopted rates for FY 2021-22
- ▶ The District expects to increase rates each year from FY 2022-23 through FY 2025-26
 - ▶ District staff have proactively prepared the Board for this
- ▶ Wastewater rates and charges are composed of the following:
 - ▶ Fixed monthly charge for residential sewer service (see next slide)
 - ▶ Flow based monthly charge for commercial sewer service (see next slide)
 - ▶ Fixed monthly charge for capital replacement and refurbishment for residential and commercial customers (see next slide)
 - ▶ Commodity rate for recycled water customers
 - ▶ Fixed monthly charge for both operations and maintenance and capital replacement and refurbishment for recycled water customers
- ▶ The District charges a Capital Facilities fee for new and/or increased capacity
 - ▶ The basic fee is an amount equal to the estimated number of gallons of wastewater to be discharged into the District's system each day multiplied by \$9.311.

Fixed Monthly Recycled Water Charges

Meter Size	Operations and Maintenance	Capital Replacement and Refurbishment	Total
5/8"	\$16.56	\$4.66	\$21.22
3/4"	\$22.24	\$4.66	\$26.90
1"	\$33.60	\$7.78	\$41.38
1.5"	\$62.00	\$18.91	\$80.91
2"	\$118.80	\$47.47	\$166.27



Wastewater System Rates & Charges (Cont'd)

Fixed Monthly Sewer Service Charges

Customer Type	Operations and Maintenance	Capital Replacement and Refurbishment
Fixed Meter Charges (residential Operations & Maintenance)		
Single Family Residential	\$25.76	\$4.93
Multifamily Restricted	\$20.44	\$3.91
Multifamily Unrestricted	\$24.30	\$4.65
Flow Based Charges (commercial customers Operations & Maintenance)		
Animal Kennel/Hospital	\$4.23	N/A
Car Wash	\$4.21	N/A
Department/Retail Store	\$4.23	N/A
Dry Cleaner	\$3.71	N/A
Golf Course/Camp/Park	\$3.70	N/A
Health Spa	\$4.22	N/A
Hospital/Convalescent Home	\$3.71	N/A
Hotel	\$6.41	N/A
Market	\$8.40	N/A
Mortuary	\$8.37	N/A
Nursery/Greenhouse	\$3.76	N/A
Professional/Financial Office	\$4.23	N/A
Public Institution	\$4.17	N/A
Repair/Service Station	\$4.23	N/A
Restaurant	\$4.00	N/A
School	\$4.38	N/A
Theater	\$4.23	N/A
Warehouse/Storage	\$3.35	N/A
Basic Commercial	\$3.71	N/A

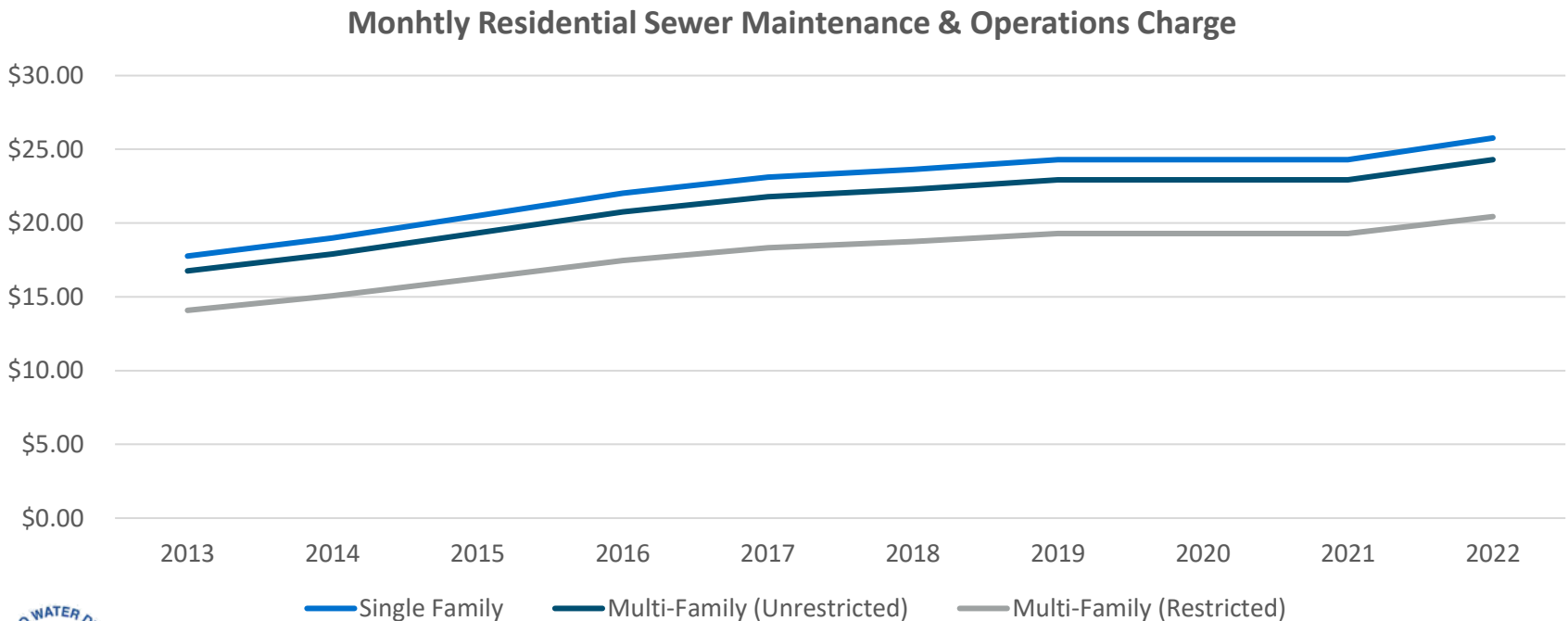
Fixed Monthly Sewer Service Charges (Continued)

Customer Type	Operations and Maintenance	Capital Replacement and Refurbishment
Fixed Meter Charges (residential and commercial Capital Replacement & Refurbishment)		
Commercial 5/8" Meter	N/A	\$4.34
Commercial 3/4" Meter	N/A	\$7.34
Commercial 1" Meter	N/A	\$13.55
Commercial 1.5" Meter	N/A	\$24.07
Commercial 2" Meter	N/A	\$70.96



History of Slow and Steady Annual Rate Increases

- ▶ The District has a proven history of slow and steady annual sewer rate increases
 - ▶ From FY 2013-14 to FY 2021-22, the water maintenance and operations charge has increased every year except for FY 2019-20 and FY 2020-21

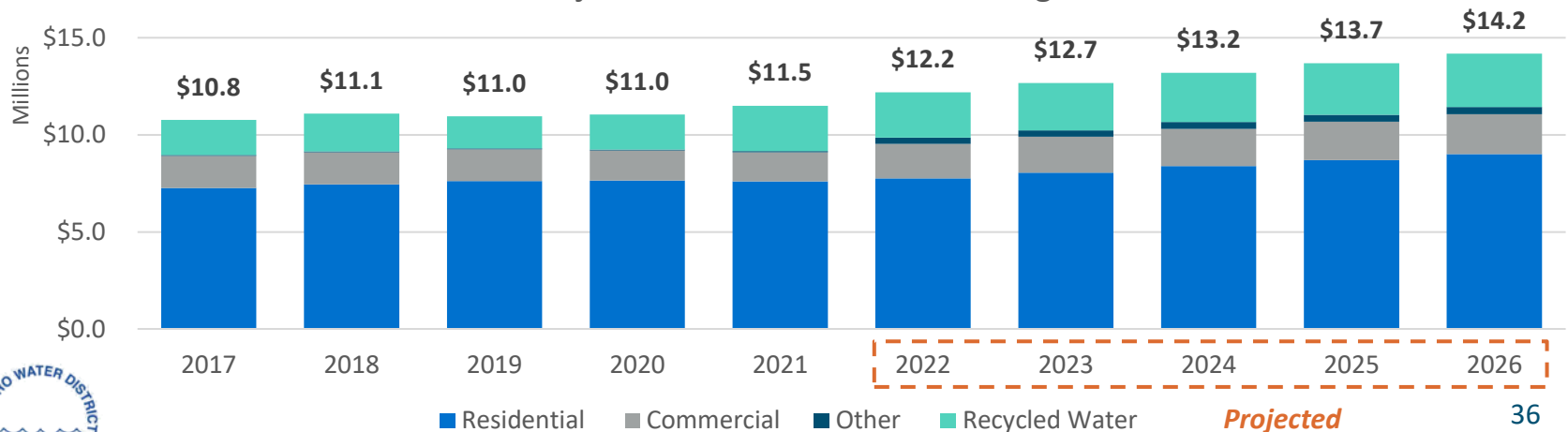


Wastewater System Service Charge Revenues District

Historical and Projected

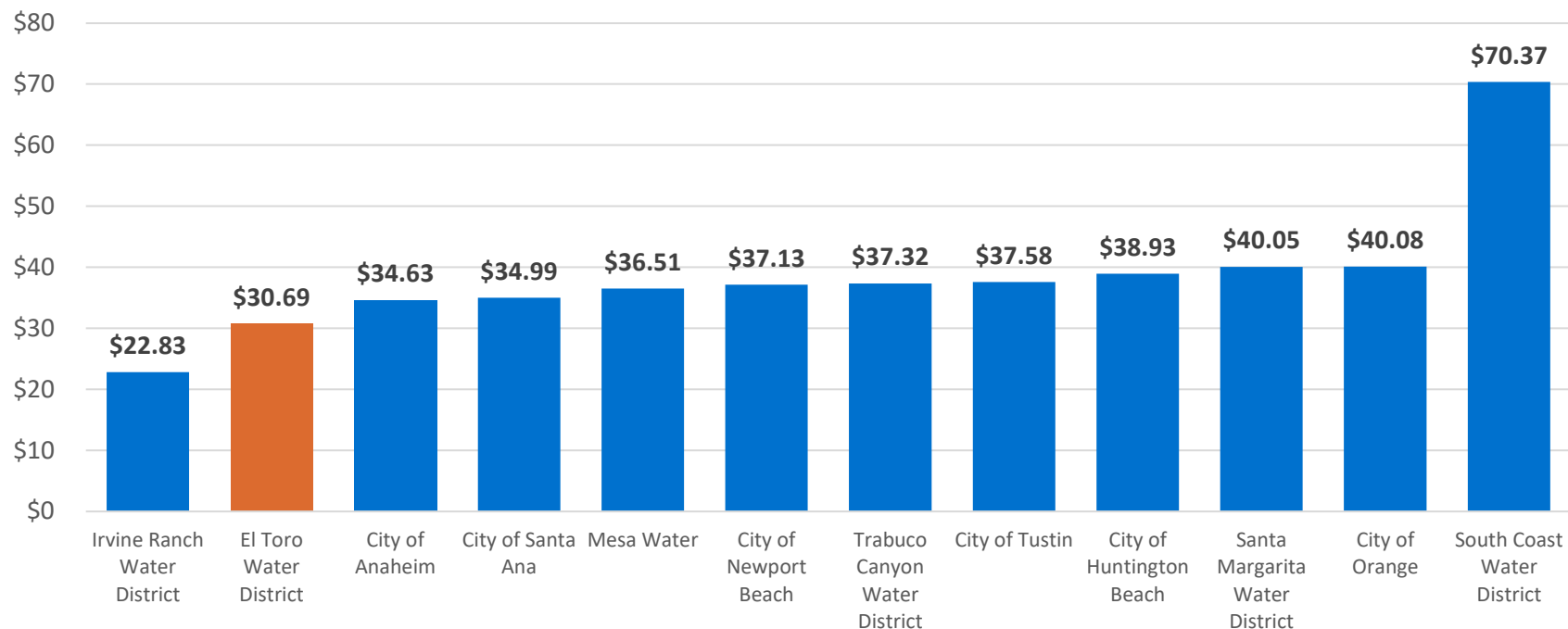
- ▶ Wastewater system service charge revenues have increased 7% from FYE 2017 to FYE 2021
 - ▶ Growing proportion of revenues from recycled water customers
- ▶ Revenues are projected to increase 4.3% each year, on average, from FYE 2022 to FYE 2026
 - ▶ Projections assume the following:
 - ▶ Wastewater service rate increase of 3.38% per year; Capital Replacement and Refurbishment rate increase of 5.96% per year
 - ▶ Recycled water service rate increase of 4.50% per year; Capital Replacement and Refurbishment rate increases of 9.0% per year

Historical & Projected Wastewater Service Charge Revenues



Comparison to Surrounding Agencies

Wastewater Rate Comparison
Monthly Residential Service Charge
As of October 1, 2021



- ▶ The District's single-family residential monthly bill of \$30.69 is 0.31% of Orange County's 2021 median household income¹

Note that the IRWD sewer charge varies from \$19.55 to \$26.10 depending on customer water usage. The service charge above (\$22.83) is an average of \$19.55 and \$26.10. Excludes ad valorem assessments.

Source: El Toro Water District

¹ Annual bill as % of County median household income of \$90,234 per US Census Bureau Quick Facts (2019 dollars)





FINANCIAL MANAGEMENT

Established Policies and Practices

- Adopted January 2022 in accordance with California Government Code Section 8855
- Addresses allowable purposes for issuing debt, permitted types of debt, debt management practices, etc.

Debt Management Policy

- Three categories of reserves (legally restricted, Board mandated, Board restricted)
- Operating reserve of \$1.3M (5%-10% of annual O&M costs)
- Rate Stabilization Reserve of \$2.2M (7.5%-15% of annual O&M costs)
- Working capital reserve of \$2M (7.5%-10% of annual O&M costs)
- Capital Replacements (\$3M)

Reserves Policy

- Most recently reviewed and revised in 2022
- Staff provides a monthly investment report to the Board

Investment Policy

- District adopts a budget annually
- District reports budget to actuals to the Board on a monthly basis
- District also reports reserve balances to the Board monthly

Budgeting Practices

- District maintains a 5-year Capital Replacement & Refurbishment plan identifying future improvements needed
- As the part of the development of its budget each year, the District prepares a ten-year financial projection that includes a cash flow and debt service coverage analysis

Capital Improvement Plan and Long-Range Financial Forecasting

- District's rates and charges are established by the Board and adopted consistent with the Prop 218 process
- District determines cost of service and updates rates annually
- Most recent rate study was completed in April 2021

Rate Setting Practices

- To date, no successful cyber attack against District's network & servers
- District employs a multi-level cyber protection scheme
- District has cybersecurity insurance
- Contracts with third party vendors to:
 - Perform audits of network
 - Monitor and augment internal and external monitoring of District's computer systems
 - Provide cybersecurity training to staff

Cybersecurity



Very Strong Historical Cash Balances

- ▶ As of June 30, 2021, the District's available cash and investments totaled \$19.9M
 - ▶ 313 days cash on hand
 - ▶ Includes \$2.3M in restricted cash that will become unrestricted when the SRF loans are refinanced
- ▶ District's internal reserve policy designates \$8.5M of the cash and investments as reserves
 - ▶ Includes reserves for emergency capital construction projects, rate stabilization, operational emergencies, and working capital
 - ▶ District's internal reserve policy designates \$8.5M of the cash and investments as reserves
- ▶ 2018 cash decrease was due to timing of expenditures for large project; District used cash while waiting on receipt of grant funding

Historical Cash and Investments Balance

FYE	2017	2018	2019	2020	2021
Total Cash & Investments	\$17,378,049	\$14,049,620	\$19,964,481	\$21,105,543	\$19,949,663
Total Operating Expenses	\$21,218,983	\$22,068,431	\$21,549,152	\$22,155,520	\$23,283,264
Days Cash on Hand	299	232	338	348	313

*Calculated as $[Cash / (Total Operating Expenses - Depreciation \& Amortization)] \times 365$



Source: El Toro Water District Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2017 through 2021

Capital Improvement Projects

- ▶ The District projects CIP of \$27.4 million and \$12.8 million for the Water System and Wastewater System, respectively, during FY 2021-22 through 2025-26
 - ▶ Bond proceeds, capital reserves and restricted reserves expected to fund 85%
- ▶ A portion of bond proceeds expected to fund six projects with estimated cost of \$34.23 million
 - ▶ \$25.53 million funded from bond proceeds
 - ▶ \$6.43 million capital reserves & \$2.27 million restricted reserves
- ▶ The District does not anticipate issuing additional debt to finance capital improvements during FY 2021-22 through 2025-26

Capital Projects to be Funded

Capital Project	Project Cost
R-6 Floating Cover Replacement Project	\$9,776,400
South County Pipeline Turnout Project	3,000,000
Joint Transmission Main Pump Station	2,400,000
Water Filtration Plant Reuse Project	2,917,000
SOCWA Capital Projects	9,974,000
AMI Remote Meter Reading	6,161,900
Total Project Costs	\$34,229,300
Less: Capital Reserves	(6,428,700)
Less: Release of Restricted SRF Reserves	(2,270,000)
Total Funding Needed	\$25,530,600



Historical and Projected Debt Service Coverage

	Audited					Approved Budget	Projected				
	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022 ^(P1)	FYE 2023 ^(P2)	FYE 2024 ^(P2)	FYE 2025 ^(P2)	FYE 2026 ^(P2)	
Water Sales ^(P3)	8,635,462	9,459,453	8,474,791	8,705,986	9,571,562	9,243,400	9,593,600	9,973,000	10,352,400	10,673,400	
Water Service Charges ^(P3)	4,177,505	4,325,454	4,623,068	4,977,611	5,070,326	5,498,100	5,696,000	5,942,400	6,199,700	6,454,900	
Sewer Service Charges ^{(H1) (P4)}	10,759,981	11,085,710	10,955,238	11,044,342	11,496,657	12,182,800	12,658,500	13,191,400	13,684,900	14,177,600	
Standby Charges	1,525	418	247	-	-						
Reimbursement from others ^{(H2)(P5)}	331,179	403,445	383,810	328,310	401,225	326,600	326,600	326,600	326,600	326,600	
Property taxes ^(P6)	888,973	927,672	1,012,576	1,037,335	1,097,589	1,111,800	1,134,000	1,156,700	1,179,900	1,203,400	
Rental revenue ^(P7)	181,491	188,183	204,160	242,187	236,357	235,000	235,000	235,000	235,000	235,000	
Investment earnings ^(P8)	75,113	124,001	500,786	424,110	21,511	100,000	180,000	225,000	235,000	235,000	
Other Non-operating revenue ^{(H3)(P9)}	152,710	59,653	910,351	40,917	42,826	20,000	20,000	20,000	20,000	20,000	
Other charges for service ^(P9)	127,222	170,781	226,303	141,081	170,209	188,500	188,500	188,500	188,500	188,500	
Total Revenues	25,331,161	26,744,770	27,291,330	26,941,879	28,108,262	28,906,200	30,032,200	31,258,600	32,422,000	33,514,400	
Source of Supply ^(P10)	7,435,534	8,294,019	7,650,468	8,085,299	8,763,806	8,390,900	8,735,000	9,141,800	9,530,300	9,845,700	
Pumping Operations ^(P11)	1,460,096	1,491,273	1,480,556	1,371,076	1,417,215	1,659,900	1,722,700	1,788,000	1,856,000	1,926,700	
Treatment ^(P12)	3,380,526	3,567,648	3,744,102	3,751,703	3,951,679	4,199,100	4,338,000	4,482,000	4,631,300	4,785,800	
Transmission & Distribution ^(P13)	5,037,124	5,035,094	4,561,123	5,147,914	5,458,122	4,643,900	4,810,600	4,983,800	5,163,900	5,351,100	
Customer Service ^(P14)	694,479	686,217	720,714	602,925	533,039	346,100	360,000	374,300	389,300	404,900	
General & Administration ^{(H4)(P15)}	3,211,224	2,994,180	3,392,189	3,196,603	3,159,403	4,440,500	4,595,800	4,755,500	4,905,100	5,074,200	
Total Operation & Maintenance	21,218,983	22,068,431	21,549,152	22,155,520	23,283,264	23,680,400	24,562,100	25,525,400	26,475,900	27,388,400	
Net Revenues	4,112,178	4,676,339	5,742,178	4,786,359	4,824,998	5,225,800	5,470,100	5,733,200	5,946,100	6,126,000	
2010 SRF Agreement ^(P16)	258,146	258,146	258,146	258,146	258,146	258,146	-	-	-	-	
2013 SRF Agreement ^(P16)	1,602,958	1,602,958	1,602,958	1,602,958	1,602,958	1,602,958	-	-	-	-	
2016 Texas Capital Agreement		684,262	684,262	684,262	684,262	684,262	684,262	684,262	684,262	684,262	
2018 SRF Agreement ^(P16)				409,049	409,049	409,049	-	-	-	-	
2022 Bonds							-	3,432,884	3,221,400	3,222,150	
Total Debt Service	1,861,104	2,545,366	2,545,366	2,954,415	2,954,415	2,954,415	4,117,146	3,905,662	3,906,412	3,903,662	
Remaining Revenues	2,251,074	2,130,973	3,196,812	1,831,944	1,870,583	2,271,385	1,352,954	1,827,538	2,039,688	2,222,338	
Debt Service Coverage	2.21	1.84	2.26	1.62	1.63	1.77	1.33	1.47	1.52	1.57	

Coverage Footnotes and Assumptions

Historical Operating Results

(H1) Includes recycled water sales revenues.

(H2) Includes rebates for recycled water from MWD under its Local Resources Program, as well as charges for the use of District facilities by MNWD and SMWD.

(H3) Fiscal Year 2019 amount includes one-time refund of amounts previously paid by the District to SOCWA for capital projects that were not undertaken.

(H4) The amounts in this line item differ from the District's audited financial statements because non-cash accounting charges associated with post-employment benefits have been removed. See the POS caption "—Employee Benefits—Other Post-Employment Benefits."

Projected Operating Results

(P1) Reflects budgeted amounts with certain adjustments.

(P2) As the part of the development of its budget each year, the District prepares a ten year financial projection that includes a cash flow and debt service coverage analysis. The projected operating results for Fiscal Years 2023 through 2026 are derived from the District's ten year financial projection developed in spring 2021.

(P3) Based on an analysis of the cost to the District to purchase water from MWD and the Baker WTP. The District utilizes MWD's ten year forecasted rate for treated and untreated water as well as a projected cost for water purchases from the Baker WTP to project its tiered rates for Water Supply, which are the basis for Water Sales. Assumes rate increases of approximately 4.5% per annum for Operation and Maintenance Costs and approximately 9.01% per annum for capital replacements and refurbishments in Fiscal Years 2023 through 2026 which have not yet been adopted. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that the rate increases which are projected herein will be approved. See the POS caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

(P4) Includes projected revenues from wastewater service and recycled water sales. Assumes the following for Fiscal Years 2023 through 2026: (i) sewer service rate increases of approximately 3.38% per annum; (ii) sewer service capital replacement and refurbishment rate increases of approximately 5.96% per annum; (iii) recycled water service rate increases of approximately 4.50% per annum; and (iv) recycled water service capital replacement and refurbishment rate increases of approximately 9.01% per annum. None of such rate increases have been approved. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that the rate increases which are projected herein will be approved. See the POS caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

(P5) Includes projected rebates for recycled water from MWD under its Local Resources Program, as well as projected charges for the use of District facilities by MNWD and SMWD. Projected to remain at Fiscal Year 2022 budgeted amount.

(P6) Projected to increase by approximately 2% per annum.

(P7) Projected to remain at Fiscal Year 2022 budgeted amount.

(P8) Reflects projected interest on reserves as well as the application of reserves to capital projects.

(P9) Projected to remain at Fiscal Year 2022 budgeted amount.

(P10) Projected to increase by between 3.3% and 4.7% per annum.

(P11) Projected to increase by approximately 3.8% per annum.

(P12) Projected to increase by approximately 3.3% per annum.

(P13) Projected to increase by approximately 3.6% per annum.

(P14) Projected to increase by approximately 4% per annum.

(P15) Projected to increase by approximately 3.5% per annum.

(P16) These obligations are expected to be paid in full from proceeds of the Bonds. See the POS caption "REFUNDING PLAN."



Employee Benefits

▶ Pension

- ▶ The District does not offer pension benefits to employees
- ▶ No pension liability

▶ **Defined Contribution and Deferred Compensation Plans**

- ▶ District contributes to the District's Retirement Savings Plan and Trust
- ▶ District offers a deferred contribution plan

▶ **OPEB**

- ▶ The District administers a single employer defined benefit healthcare plan
- ▶ As of June 30, 2021, 22 retirees and covered dependents and 19 active employees met the eligibility requirements
- ▶ As of June 30, 2020, total OPEB liability is \$19.1M





2022 WATER AND WASTEWATER REVENUE BONDS

Financing Overview

- ▶ Approximately \$42 million in Tax-Exempt Water and Wastewater Revenue Bonds
- ▶ A portion of the 2022 Bond proceeds will refinance the District's three SRF Loans
 - ▶ Refinancing the SRF Loans will release \$2.27 million in previously restricted cash
- ▶ 2022 Bonds also will generate \$25.5 million in project funds to finance the following capital improvements to the District's potable water, recycled water, and wastewater system
 - ▶ R-6 Floating Cover Replacement Project
 - ▶ South County Pipeline Turnout Project
 - ▶ Joint Transmission Main Pump Station
 - ▶ Water Filtration Plant Reuse Project
 - ▶ SOCWA Capital Projects
 - ▶ AMI Remote Meter Reading
- ▶ 10-Year par call: June 1, 2032
- ▶ Final Maturity: June 1, 2052



Legal Structure

Provisions	Description
Estimated Par Amount	\$42,680,000
Payment Dates	June 1 and December 1
Purpose	Refund the District's outstanding SRF loans; Fund various capital projects
Security	Net Revenues of the Water and Wastewater System
Net Revenues	Water and Wastewater Revenues MINUS Operation and Maintenance Costs of the Water and Wastewater System
Parity Debt	2016 ISA outstanding in the amount of \$8,259,750 and final maturity of July 1, 2036
Reserve Requirement	None
Rate Covenant	110%
Additional Parity Bonds	110%



Estimated S&U and Debt Service*

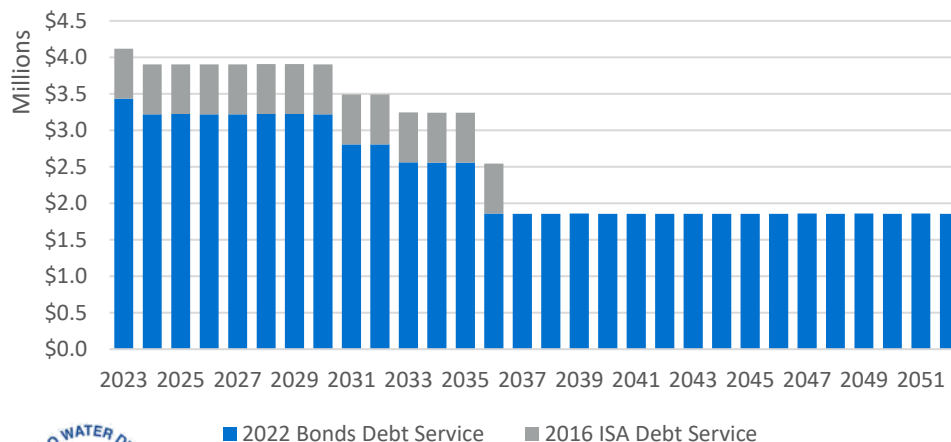
Sources of Funds	
Bond Par	\$42,680,000.00
Premium	\$7,086,372.90
Total Sources of Funds	\$49,766,372.90

Uses of Funds	
Project Fund	\$25,530,600.00
Refunding Fund	\$23,930,234.05
Costs of Issuance*	\$305,538.85
Total Uses of Funds	\$49,766,372.90

*Includes fees and expenses related to underwriting, legal counsel, municipal advisory, rating, trustee, printing, and additional miscellaneous fees

Bond Year	Principal	Interest	2022 Bonds Debt Service
2023	1,115,000	2,317,884	3,432,884
2024	1,385,000	1,836,400	3,221,400
2025	1,455,000	1,767,150	3,222,150
2026	1,525,000	1,694,400	3,219,400
2027	1,600,000	1,618,150	3,218,150
2028	1,685,000	1,538,150	3,223,150
2029	1,770,000	1,453,900	3,223,900
2030	1,855,000	1,365,400	3,220,400
2031	1,535,000	1,272,650	2,807,650
2032	1,610,000	1,195,900	2,805,900
2033	1,445,000	1,115,400	2,560,400
2034	1,515,000	1,043,150	2,558,150
2035	1,590,000	967,400	2,557,400
2036	955,000	903,800	1,858,800
2037	990,000	865,600	1,855,600
2038	1,030,000	826,000	1,856,000
2039	1,075,000	784,800	1,859,800
2040	1,115,000	741,800	1,856,800
2041	1,160,000	697,200	1,857,200
2042	1,205,000	650,800	1,855,800
2043	1,255,000	602,600	1,857,600
2044	1,305,000	552,400	1,857,400
2045	1,355,000	500,200	1,855,200
2046	1,410,000	446,000	1,856,000
2047	1,470,000	389,600	1,859,600
2048	1,525,000	330,800	1,855,800
2049	1,590,000	269,800	1,859,800
2050	1,650,000	206,200	1,856,200
2051	1,720,000	140,200	1,860,200
2052	1,785,000	71,400	1,856,400
Total	\$42,680,000	\$28,165,134	\$70,845,134

2022 Bonds - Estimated Bond Year Debt Service



*Preliminary, subject to change



CONCLUSION AND TIMELINE

Conclusion

- ▶ Very strong economic fundamentals and market position
 - ▶ Access to broad and diverse Orange County MSA; low unemployment rate; above average household income
 - ▶ Extremely low delinquency rates
- ▶ Historic commitment by Board and staff to consistently raise utility rates
- ▶ Combined water/sewer utility net revenue pledge is a credit strength
 - ▶ Higher than normal percentage of fixed rate revenue
- ▶ District is well positioned to respond to future State recycling mandates
- ▶ Seasoned management team with strong policies and practices
 - ▶ Robust drought planning through a water shortage contingency plan and recently updated Urban Water Management Plan
- ▶ Strong liquidity position with cash and investments at June 20, 2021, of \$19.9M, or 313 days cash on hand
- ▶ Strong projected debt service coverage representative of AA category



Financing Schedule

February 3	Rating Presentation
February 11	Receive Rating
February 14	Board of Directors/JPA Approval
February 24	Pricing
March 10	Closing

INSTALLMENT PURCHASE AGREEMENT

by and between

EL TORO WATER DISTRICT

and

EL TORO WATER DISTRICT FINANCING AUTHORITY

Dated as of March 1, 2022

Relating to

\$ _____
EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, dated as of March 1, 2022, is entered into by and between the EL TORO WATER DISTRICT, a California Water District that is duly organized and existing under and by virtue of the laws of the State of California, including but not limited to Division 13 of the California Water Code (the “**District**”), and the EL TORO WATER DISTRICT FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”).

RECITALS

A. The District proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its System, as described in Exhibit A (collectively, the “**2022 Project**”).

B. The District also proposes to refinance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its System, as described in Exhibit A (collectively, the “**Refunding Project**”).

C. The Authority has agreed to assist the District in financing the 2022 Project and refinancing the Refunding Project on the terms and conditions that are set forth herein.

D. The Authority is authorized by Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including but not limited to Section 6540 *et seq.*, to finance and refinance the acquisition and construction of property for its members.

E. The District is authorized by the laws of the State of California, including but not limited to California Water Code Sections 35401 and 35405, to finance the 2022 Project and to refinance the Refunding Project.

F. The District and the Authority have duly authorized the execution of this Installment Purchase Agreement.

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

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

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document that is mentioned herein or therein have the meanings that are defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms that are defined herein. All capitalized terms that are used herein and not defined herein shall have the meanings that are ascribed thereto in the Indenture.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition Fund. The term "Acquisition Fund" means the fund by that name established under Section 3.06.

Authority. The term "Authority" means El Toro Water District Financing Authority, a joint exercise of powers agency that is duly organized pursuant to the JPA Agreement and existing under and by virtue of the laws of the State of California.

Bonds. The term "Bonds" means all revenue bonds or notes of the District that are authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the Series 2022 Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

District. The term "District" means El Toro Water District, a California Water District that is duly organized and existing under and by virtue of the laws of the State of California, including but not limited to Division 13 of the California Water Code.

Contracts. The term "Contracts" means the 2016 ISA and all other contracts of the District that are authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the Series 2022 Installment Payments and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof; but excluding contracts entered into for operation and maintenance of the System.

Debt Service. The term "Debt Service" means, for any period of calculation, the sum of:

(i) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(ii) those portions of the principal amount of all outstanding serial Bonds maturing in such period;

(iii) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and

(iv) those portions of the Contracts that are required to be paid during such period (except to the extent that the interest that is evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

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

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to be a fixed rate equal to the higher of: (1) the then-current variable interest rate borne by such Bonds or Contract plus 1%; and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt for which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of calculation; and

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

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

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

Event of Default. The term “Event of Default” means an event that is described in Section 8.01.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of the date hereof, by and between the District and the Authority, relating to the 2022 Bonds.

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

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants that is appointed by the District, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; (3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of March 1, 2022, by and between the District and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

JPA Agreement. The term “JPA Agreement” means the Joint Exercise of Powers Agreement, dated as of February 1, 2022, by and between the District and California Statewide Communities Development Authority, pursuant to which the Authority is established.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year. When held by the Trustee in any funds or accounts established hereunder, Net Revenues shall include all interest or gain derived from the investment of amounts in any of such funds or accounts.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (1) costs spent or incurred for maintenance and operation of the System calculated in accordance with generally accepted accounting principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses that are necessary to maintain and preserve the System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the System, including but not limited to salaries and wages of employees, payments for post-employment and/or retirement benefits, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2022 Bonds or of this Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (2) all payments under any contract for the purchase of water; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms hereof as provided in Section 4.01.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name held by the District and established pursuant to Section 5.05.

Refunding Project. The term “Refunding Project” means the additions, betterments, extensions and improvements to the System, including real property and buildings, if any, which are described as such in Exhibit A.

Revenue Fund. The term “Revenue Fund” means, collectively, the Water Service Fund, Wastewater Service Fund and Recycled Water Fund maintained by the District into which Revenues are deposited, together with other accounts that may be created in the future and designated by action of the Board of Directors of the District as a part of the fund called “Revenue Fund” that has been established pursuant to Section 5.02.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the System, including, without limiting the generality of the foregoing: (1) all in lieu charges (including investment earnings thereon) collected by or on behalf of the District; (2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water and recycled water and the collection, treatment and disposal of wastewater or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the System; (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including District reserves; and (4) deposits to the Revenue Fund from amounts on deposit in the Rate Stabilization Fund in accordance with Section 5.05; but excluding in all cases: (i) any moneys transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.02(c); (ii) all amounts reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program), to the extent that such amounts have been or will be deducted from the calculation of Debt Service; (iii) customers’ deposits or any other deposits or advances that are subject to refund until such deposits or advances have become the property of the District; and (iv) proceeds of taxes or benefit assessments restricted by law to be used by the District to pay amounts due on bonds or other obligations hereafter incurred.

Series 2022 Installment Payment Date. The term “Series 2022 Installment Payment Date” means the 25th day of May and November of each year, commencing on ____ 25, 202__.

Series 2022 Installment Payments. The term “Series 2022 Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to the Installment Purchase Agreement.

Service. The term “Service” means the potable and recycled water distribution service and sanitary sewer collection, treatment and disposal service that is made available or provided by the System.

System. The term “System” means the whole and each and every part of the potable and recycled water distribution system and sanitary sewer collection, treatment and disposal system serving the District, whether owned or operated by the District or another party, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such system or any part thereof hereafter acquired or constructed.

Trustee. The term “Trustee” means U.S. Bank Trust Company, National Association, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

2016 ISA. The term “2016 ISA” means the Installment Sale Agreement, dated as of December 1, 2016, by and between the District and Sunflower Bank, N.A.

2022 Bonds. The term “2022 Bonds” means the El Toro Water District Financing Authority Water and Wastewater Revenue Bonds, Series 2022A issued pursuant to the Indenture.

2022 Project. The term “2022 Project” means the additions, betterments, extensions and improvements to the System, including real property and buildings, if any, which are described as such in Exhibit A.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties of the District. The District makes the following representations:

(a) The District is a California Water District that is duly organized and existing under and pursuant to the laws of the State of California, including but not limited to Division 13 of the California Water Code.

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

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

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest that is paid for the installment purchase of the 2022 Project and the Refunding Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

(e) The District has determined that it is necessary and proper for District uses and purposes within the terms of the laws of the State of California that the District finance and acquire the 2022 Project and refinance and acquire the Refunding Project in the manner that is provided for in this Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the District.

Section 2.02. Representations and Warranties of the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers agency that is duly organized under the JPA Agreement and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions that are contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions that are contemplated herein will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken which results in the interest that is paid for the installment purchase of the 2022 Project and the Refunding Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

ACQUISITION OF 2022 PROJECT AND REFUNDING PROJECT

Section 3.01. Acquisition and Construction of the 2022 Project. The Authority hereby agrees to cause the 2022 Project, and any additions or modifications thereto, to be constructed, acquired or installed by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Authority, the complete acquisition of the 2022 Project. The District hereby agrees that it will cause the construction, acquisition and installation of the 2022 Project to be diligently performed after the deposit of funds with the District pursuant to the Indenture, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2022 Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Section 3.02. Changes to the 2022 Project. The District may substitute other improvements for those listed as components of the 2022 Project in Exhibit A, but only if the District first files with the Trustee a statement of the District in the form set forth in Exhibit D.

Section 3.03. Sale and Purchase of Refunding Project. The parties hereby confirm that the District currently has title to the Refunding Project. In consideration for the Authority's assistance in refinancing the Refunding Project, the District agrees to sell, and hereby sells, to the Authority, and

the Authority agrees to purchase and hereby purchases, from the District, the Refunding Project in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Section 3.04. Purchase and Sale of Refunding Project. In consideration for the Series 2022 Installment Payments, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the 2022 Project and the Refunding Project at the purchase price that is specified in Section 4.01 hereof and otherwise in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Section 3.05. Title. All right, title and interest in each component of the 2022 Project shall vest in the District immediately upon acquisition or construction thereof. All right, title and interest in each component of the Refunding Project shall vest in the District immediately upon execution and delivery of the Installment Purchase Agreement. Such vesting shall occur without further action by the Authority or the District, and the Authority shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 3.06. Acquisition Fund. There is hereby established with the District a fund known as the "Acquisition Fund," which the District shall maintain and hold in trust separate and apart from other funds held by it. The moneys in the Acquisition Fund shall be applied to the payment of the costs of acquisition of the 2022 Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund, the General Manager of the District shall cause to be filed with the Chief Financial Officer of the District a Written Requisition in the form set forth in Exhibit C. Upon receipt of such Written Requisition, the Chief Financial Officer of the District will pay the amount set forth therein. The Chief Financial Officer of the District need not make any such payment if he or she has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys so to be paid, which has not been released and will not be released simultaneously with such payment.

When the 2022 Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Chief Financial Officer of the District and the Trustee by the General Manager of the District. Upon the receipt of such statement, the Chief Financial Officer of the District shall transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount shall be certified to the Chief Financial Officer of the District by the General Manager of the District) to the Trustee, which shall transfer such amounts to the Revenue Fund.

ARTICLE IV

SERIES 2022 INSTALLMENT PAYMENTS

Section 4.01. Purchase Price.

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

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

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 and Exhibit B, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

Section 4.02. Series 2022 Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2022 Installment Payment Dates as set forth in Exhibit B.

Each Series 2022 Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the District fails to make any of the payments which are required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2022 Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2022 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2022 Installment Payment which is required to be made by it under this section when due, whether or not the System or any part thereof is operating or operable or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2022 Project or the Refunding Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.01. Pledge of Revenues. The Revenues, other amounts that are on deposit in the Revenue Fund and any other amounts (including proceeds of the sale of the 2022 Bonds) which are held in any fund or account that is established pursuant to the Installment Purchase Agreement (including the Rate Stabilization Fund) are irrevocably pledged to the payment of the Series 2022 Installment Payments. Except for the payment of the Operation and Maintenance Costs, the Revenues shall not be used for any other purpose while any of the Series 2022 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on Revenues, the Revenue Fund, the Rate Stabilization Fund and the other funds and accounts that are created hereunder for the payment of the Series 2022 Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and of the Indenture.

Section 5.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby created and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Installment Purchase Agreement.

The District shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the District at the following times in the following respective special funds in the following order of priority, and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section:

(a) Bond Payment Fund. On or before each Series 2022 Installment Payment Date, the District shall, from remaining moneys in the Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund an amount that is equal to the interest and principal payable and coming due on the 2022 Bonds on the next succeeding Interest Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

Any moneys which are on deposit in the Bond Payment Fund on each Series 2022 Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to any 2022 Bonds not presented for payment) shall be credited to the payment of the Series 2022 Installment Payments due and payable on such date. No deposit need be made in the Bond Payment Fund as Series 2022 Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2022 Installment Payment that is due and payable on the next succeeding Series 2022 Installment Payment Date.

(b) Reserve Funds. On or before each Series 2022 Installment Payment Date, the District shall, from remaining moneys in the Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to reserve funds or accounts established for Bonds or Contracts an amount that is equal to the amount required to be deposited therein.

(c) Surplus. Moneys on deposit in the Revenue Fund which are not necessary to make any of the payments which are required above may be expended by the District at any time for any purpose permitted by law, including but not limited to transfers to the Rate Stabilization Fund.

Section 5.03. Additional Contracts and Bonds. The District may at any time issue any Bonds or execute any Contract, as the case may be, in accordance herewith; provided that:

(a) So long as the 2016 ISA is outstanding, the District has complied with Section 5.3 of the 2016 ISA.

(b) The Net Revenues for either the most recent audited Fiscal Year or a consecutive 12 month period within the 18 months preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year or consecutive 12 month period.

(c) The Net Revenues for either the most recent audited Fiscal Year or a consecutive 12 month period within the 18 months preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or consecutive 12 month period to increases or decreases in rates and charges for the Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of: (i) the Debt Service for such Fiscal Year or consecutive 12 month period; plus (ii) the Debt Service which would have accrued on any then-outstanding Bonds which were issued or any then-outstanding Contracts which were executed since the end of such audited Fiscal Year or consecutive 12 month period, assuming that such Bonds or Contracts had been issued or executed, as applicable, on the first day of such audited Fiscal Year or consecutive 12 month period; plus (iii) the Debt Service which would have accrued on the proposed additional Bonds or the proposed additional Contract, assuming that such proposed additional Bonds or proposed additional Contract had been issued or executed, as applicable, on the first day of such audited Fiscal Year or consecutive 12 month period.

(d) Notwithstanding the foregoing, in the event that either: (i) the District complies with Section 5.3 of the 2016 ISA; or (i) the 2016 ISA is no longer outstanding, Bonds issued or Contracts executed to refund outstanding Bonds or to prepay outstanding Contracts may be delivered without satisfying the conditions set forth in clauses (b) and (c) above if total Debt Service after such Bonds are issued or Contracts executed is not greater than the total Debt Service which would have been payable prior to the issuance of such Bonds or execution of such Contracts.

Section 5.04. Investments. All moneys which are held by the District in the Revenue Fund, the Rate Stabilization Fund and the Acquisition Fund shall be invested in Permitted Investments, and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.05. Rate Stabilization Fund. There has been previously established with the District a fund called the “rate stabilization reserve” and referred to herein as the “Rate Stabilization Fund.” The District hereby agrees and covenants to maintain, so long as any 2022 Bonds remain outstanding, the Rate Stabilization Fund. There is at least \$2,200,000 on deposit in the Rate Stabilization Fund as of the date of the initial issuance of the 2022 Bonds. The District may withdraw and deposit amounts therein from time to time in its sole discretion.

Amounts in the Rate Stabilization Fund will be disbursed, allocated and applied by the District solely to the uses and purposes hereinafter described in this Installment Purchase Agreement,

and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

The Rate Stabilization Fund and all amounts on deposit therein are hereby irrevocably pledged to the payment of the Bonds and Contracts as provided herein; provided that amounts on deposit in the Rate Stabilization Fund may be apportioned for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on amounts on deposit in the Rate Stabilization Fund for the payment of Contracts and Bonds in accordance with the terms hereof.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund from time to time and transfer such amounts to the Revenue Fund for application in accordance with Section 5.02 hereof. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section during or within 270 days after the end of a Fiscal Year may be taken into account as Revenues for purposes of the calculations in Sections 5.03 and 6.14 in such Fiscal Year to the extent provided in the definition of "Revenues" in Section 1.01.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2022 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein which are required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2022 Project or the Refunding Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term which is contained herein and required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

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

Section 6.02. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund or the Rate Stabilization Fund except as provided herein. In addition, the District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in Section 5.02), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.03. Against Sale or Other Disposition of Property. The District will not sell, lease, transfer, encumber or otherwise dispose of the System or any material portion thereof or enter into any agreement or lease which impairs the operation of the System or any part thereof which is necessary to secure adequate Revenues for the payment of the Series 2022 Installment Payments, or which would otherwise impair the rights of the Authority hereunder or the operation of the System. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Series 2022 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

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

Section 6.04. Against Competitive Facilities. The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system, recycled water system or sanitary sewer system competitive with the System.

Section 6.05. Tax Covenants. Notwithstanding any other provision of the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the 2022 Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code which are necessary to preserve such exclusion from gross income with respect to the 2022 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action and refrain from taking any action, and the District will make no use of the proceeds of the 2022 Bonds or of any other moneys or property, which would cause the 2022 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2022 Bonds or of any other amounts or property, regardless of the source, and the District will not take any action or refrain from taking any action, which will cause the 2022 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2022 Bonds, and the District will not take or omit to take any action, that would cause the 2022 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on the 2022 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2022 Bonds or any other amounts or property, regardless of the source, and the District will not take any

action or refrain from taking any action, that would cause the 2022 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2022 Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2022 Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference herein.

This section and the covenants that are set forth herein shall not be applicable to, and nothing that is contained herein shall be deemed to prevent the District from causing the Authority to issue revenue bonds or issuing bonds or executing and delivering contracts that are payable on a parity with the 2022 Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Section 6.06. [Reserved].

Section 6.07. Maintenance and Operation of the System. The District will maintain and preserve the System in good repair and working order at all times, operate the System in an efficient and economical manner and pay all Operation and Maintenance Costs as they become due and payable.

Section 6.08. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the District which are pledged to pay the Series 2022 Installment Payments or the Bonds, or which might impair the security of the Series 2022 Installment Payments.

Section 6.09. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, which are required to be performed by it contained in all contracts for the use of the System and all other contracts affecting or involving the System, to the extent that the District is a party thereto.

Section 6.10. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the System, excluding coverage for earthquake damage or destruction, with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with facilities that are similar to the System, so long as such insurance is available at reasonable rates.

In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the System shall be free and clear of all claims

and liens. The District covenants to reconstruct, repair or replace the damaged or destroyed portions of the System promptly if a failure to reconstruct, repair or replace such portions would impair or adversely affect the ability of the District to pay the Series 2022 Installment Payments.

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

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

All policies of insurance which are required to be maintained herein shall provide that the Authority or its assignee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Annually on or before September 1 in each year, the Authority shall provide the Trustee with a Certificate stating that the District is in full compliance with the provisions of this section. The Trustee is entitled to rely on any such Certificate as to the District's compliance with these provisions, and the Trustee has no further duties in that regard.

Section 6.11. Accounting Records; Financial Statements and Other Reports.

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

(b) The District will prepare and file with the Authority or its assignee, annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2022) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. The Trustee shall have no obligation to review any such financial statements.

Section 6.12. Protection of Security and Rights of the Authority. The District will preserve and protect the security hereof and the rights of the Authority to the Series 2022 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.13. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the System or any part thereof, or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.14. Amount of Rates and Charges.

(a) The District shall, to the fullest extent permitted by law, fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Service which are reasonably expected, at the commencement of each Fiscal Year, to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred ten percent (110%) of the Debt Service in such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues to meet the thresholds set forth in subsection (a) above shall not constitute a default or an Event of Default hereunder or under the Indenture.

Section 6.15. Collection of Rates and Charges. The District will have in effect at all times bylaws, rules and regulations requiring each customer to pay the rates and charges applicable to the Service to such customer's land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the System, and such service shall not thereafter be recommenced except in accordance with District bylaws or rules, regulations and the laws of the State of California governing such situations of delinquency.

Section 6.16. Eminent Domain Proceeds. If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied either to additions, betterments, extensions or improvements to the System or, if the District elects not to apply such Net Proceeds to such capital items or if such Net Proceeds are not fully expended for such purposes, such Net Proceeds which are not required by the District for such purposes will be deposited in the Revenue Fund.

Section 6.17. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 6.18. Enforcement of Contracts. So long as any of the 2022 Bonds are outstanding, the District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2022 Bonds.

Section 6.19. Continued Existence of Authority. The District and the Authority will take or cause to be taken all actions reasonably necessary to continue the Authority's existence until such time as the 2022 Bonds are no longer Outstanding under the Indenture.

ARTICLE VII

PREPAYMENT OF SERIES 2022 INSTALLMENT PAYMENTS

Section 7.01. Prepayment.

(a) The District may prepay the Series 2022 Installment Payments as a whole, or in part, on the 25th day of the month prior to ____ 1, 20__ or any date thereafter in the order of payment date as directed by the District, at a prepayment price equal to the principal amount of the Series 2022 Installment Payments to be prepaid, together with accrued interest thereon to the date of prepayment, without premium.

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

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) (or such shorter number of days as is acceptable to the Trustee) days from the date that such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the District in the due and punctual payment of any Series 2022 Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the agreements or covenants which are required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Authority; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the District within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder;

(c) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the

provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

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

then and in each and every such case during the continuance of an Event of Default, the Authority shall, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2022 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding.

This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2022 Installment Payments and the accrued interest thereon shall have been so declared due and payable, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Authority an amount that is sufficient to pay the unpaid principal amount of the Series 2022 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2022 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2022 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Revenues thereafter received by the District shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and its assigns and thereafter to the Authority, as the case may be, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

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

Third, to the payment, on a pro rata basis, of the entire principal amount of the unpaid Series 2022 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2022 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.03. Other Remedies of the Authority. The Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his or her duties under the laws of the State of California and the agreements and covenants required to be performed by it or him or her contained herein;

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

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

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the 2022 Project, the Refunding Project, the System or other assets of the District and no default hereunder shall result in the loss of the 2022 Project, the Refunding Project, the System or other assets of the District.

Section 8.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2022 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund, the Rate Stabilization Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy that is conferred upon the Authority by the laws of the State of California or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

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

Section 8.05. Remedies Not Exclusive. No remedy that is conferred upon or reserved to the Authority herein is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the laws of the State of California or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01. Discharge of Obligations. When:

(a) all or any portion of the Series 2022 Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2022 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2022 Installment Payment Date or dates specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2022 Installment Payments, either: (i) sufficient moneys to pay all principal, prepayment premium, if any, and interest of such Series 2022 Installment Payments to their respective Series 2022 Installment Payment Dates; or (ii) a combination of sufficient cash and non-callable Permitted Investments that are described in clause (A) of the definition thereof, the principal of and interest on which Permitted Investments when due will provide (together with any cash) money that is sufficient in the opinion of an Independent Certified Public Accountant to pay all principal, prepayment premium, if any, and interest of such Series 2022 Installment Payments to their respective Series 2022 Installment Payment Dates; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, then and in that event, the right, title and interest of the Authority herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2022 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Series 2022 Installment Payments).

In such event, upon request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Series 2022 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto, other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Series 2022 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2022 Installment Payments and shall be applied by the Trustee to the payment of the Series 2022 Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues, the Revenue Fund, the Rate Stabilization Fund and the other funds provided herein for the payment of amounts due hereunder or for the performance of any agreements or covenants that are required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Series 2022 Installment Payments is a special obligation of the District payable from the Net Revenues and does not constitute a debt of the District

or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District and the Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant that is required herein to be performed by or on behalf of the District or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Authority, and all agreements and covenants which are required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Waiver of Personal Liability. No member, officer or employee of the District shall be individually or personally liable for the payment of the Series 2022 Installment Payments, but nothing contained herein shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Authority hereby declare that they would have executed the Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.07. Assignment. The Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the District. In addition to the rights and remedies assigned by the Authority to the Trustee, to the extent that the Indenture and the Installment Purchase Agreement confer upon or give or grant to the Trustee any right, remedy or claim under or by reason of the Indenture or the Installment Purchase Agreement, the Trustee is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 10.08. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Series 2022 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.09. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

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

If to the District:	El Toro Water District 24251 Los Alisos Boulevard Lake Forest, California 92630 Attention: General Manager
If to the Authority:	El Toro Water District Financing Authority 24251 Los Alisos Boulevard Lake Forest, California 92630 Attention: Executive Director
If to the Trustee:	U.S. Bank Trust Company, National Association 633 West Fifth Street, 24th Floor Los Angeles, California 90071 Attention: Corporate Trust Reference: El Toro Water District 2022 Bonds

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

Section 10.12. Execution in Counterparts. The Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

Section 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2022 Bonds and of the Trustee may be modified

or amended at any time by an amendment hereto which shall become binding upon the prior written consents of the Owners of a majority in aggregate principal amount of the 2022 Bonds then Outstanding, exclusive of 2022 Bonds disqualified as provided in Section 11.09 of the Indenture. No such modification or amendment may: (1) extend the fixed maturity of any 2022 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2022 Bond so affected; or (2) reduce the aforesaid percentage of 2022 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Installment Purchase Agreement prior to or on a parity with the lien created by the Installment Purchase Agreement except as permitted herein, or deprive the Owners of the 2022 Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2022 Bonds then Outstanding.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2022 Bonds may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any 2022 Bonds, but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the District contained in the Installment Purchase Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2022 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Installment Purchase Agreement, or in regard to matters or questions arising under the Installment Purchase Agreement, as the District may deem necessary or desirable; and (3) to modify, amend or supplement the Installment Purchase Agreement in such manner as to cause interest on the 2022 Bonds to remain excludable from gross income under the Code. No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without the written consent thereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

EL TORO WATER DISTRICT

By: _____
President

ATTEST:

District Secretary

EL TORO WATER DISTRICT FINANCING
AUTHORITY

By: _____
Chair

ATTEST:

Secretary

EXHIBIT A

DESCRIPTION OF THE 2022 PROJECT AND THE REFUNDING PROJECT

2022 Project

R-6 Floating Cover Replacement Project	\$ 9,776,400
South County Pipeline Turnout Project	3,000,000
Joint Transmission Main Pump Station	2,400,000
Water Filtration Plant Reuse Project	2,917,000
SOCWA Capital Projects	9,974,000
AMI Remote Meter Reading	<u>6,161,900</u>
Total Project Costs	\$34,229,300

Refunding Project

North Line State Loan

North Line Lift Station Improvement Project

- reconstruction of sewage lift station
- installation of submersible pumps
- construction of wet well
- installation of electrical switchgear
- installation of emergency standby generator

Recycle Phase I State Loan

Recycled Water Treatment and Distribution Project (Phase I)

- expansion of recycled water system
- tertiary treatment plant upgrade

Recycle Phase II State Loan

Recycled Water Distribution Project (Phase II)

- construction of 28,500 linear feet of recycled water distribution pipelines ranging in diameter from 4" to 10"
- conversion of 34 irrigation meters to recycled water
- construct an additional 18 recycled water meters

EXHIBIT B

PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is \$_____.
2. The Series 2022 Installment Payments of principal and interest are payable in the amounts and on the Series 2022 Installment Payment Dates as follows:

<i>Series 2022 Installment Payment Date (25th Day of Month Prior to)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
6/1/2022	\$ -	\$ -	\$ -
12/1/2022	-	-	-
6/1/2023	-	-	-
12/1/2023	-	-	-
6/1/2024	-	-	-
12/1/2024	-	-	-
6/1/2025	-	-	-
12/1/2025	-	-	-
6/1/2026	-	-	-
12/1/2026	-	-	-
6/1/2027	-	-	-
12/1/2027	-	-	-
6/1/2028	-	-	-
12/1/2028	-	-	-
6/1/2029	-	-	-
12/1/2029	-	-	-
6/1/2030	-	-	-
12/1/2030	-	-	-
6/1/2031	-	-	-
12/1/2031	-	-	-
6/1/2032	-	-	-
12/1/2032	-	-	-
6/1/2033	-	-	-
12/1/2033	-	-	-
6/1/2034	-	-	-
12/1/2034	-	-	-
6/1/2035	-	-	-
12/1/2035	-	-	-
6/1/2036	-	-	-
12/1/2036	-	-	-
6/1/2037	-	-	-
12/1/2037	-	-	-
6/1/2038	-	-	-
12/1/2038	-	-	-
6/1/2039	-	-	-
12/1/2039	-	-	-

<i>Series 2022 Installment Payment Date (25th Day of Month Prior to)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
6/1/2040			
12/1/2040	-		
6/1/2041			
12/1/2041	-		
6/1/2042			
12/1/2042	-		
6/1/2043			
12/1/2043	-		
6/1/2044			
12/1/2044	-		
6/1/2045			
12/1/2045	-		
6/1/2046			
12/1/2046	-		
6/1/2047			
12/1/2047	-		
6/1/2048			
12/1/2048	-		
6/1/2049			
12/1/2049	-		
6/1/2050			
12/1/2050	-		
6/1/2051			
TOTAL	<u> </u> \$ <u> </u> .00	<u> </u> \$	<u> </u> \$

EXHIBIT C

FORM OF REQUISITION FROM ACQUISITION FUND

§ _____
EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A

REQUISITION NO. ____ FOR
DISBURSEMENT FROM ACQUISITION FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the El Toro Water District, a California Water District that is organized and existing under the laws of the State of California, including but not limited to Division 13 of the California Water Code (the “**District**”), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.06 of that certain Installment Purchase Agreement, dated as of March 1, 2022 (the “**IPA**”), by and between the District and the El Toro Water District Financing Authority, the undersigned hereby requests the Chief Financial Officer of the District to disburse this date the following amounts from the Acquisition Fund established under the IPA to the payees designated on the attached Exhibit A;

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

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

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

Dated: _____, 20____

EL TORO WATER DISTRICT

By: _____
General Manager

EXHIBIT A

ACQUISITION FUND DISBURSEMENTS

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

FORM OF SUBSTITUTION STATEMENT

U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust
Reference: El Toro Water District 2022 Bonds

The undersigned _____ of the El Toro Water District (the “**District**”) hereby states pursuant to Section 3.02 of the Installment Purchase Agreement, dated as of March 1, 2022 (the “**IPA**”), by and between the District and the El Toro Water District Financing Authority, that each component of the 2022 Project (as such term is defined in the IPA) described in the first column of Exhibit A attached hereto, with an estimated cost set forth in the second column of Exhibit A, will be replaced by the corresponding improvement described in the third column of Exhibit A with an estimated cost set forth in the fourth column of Exhibit A.

Dated: _____, 20__

EXHIBIT A

<i>Components of 2022 Project to be Replaced</i>	<i>Cost of Each Component of 2022 Project to be Replaced</i>	<i>Improvements to be Substituted</i>	<i>Cost of Each Improvement to be Substituted</i>
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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”) is executed and delivered by the El Toro Water District (the “**District**”) in connection with the issuance of the El Toro Water District Financing Authority Water and Wastewater Revenue Bonds, Series 2022A in an aggregate principal amount of \$_____ (the “**Bonds**”). The Bonds are being issued by the El Toro Water District Financing Authority (the “**Authority**”) pursuant to the provisions of that certain Indenture of Trust, dated as of March 1, 2022 (the “**Indenture**”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). The District and the Dissemination Agent hereby certify, covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

“*Annual Report Date*” shall mean each April 1 after the end of the District’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Beneficial Owner*” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean, initially, the District, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the District and has filed with the then-current Dissemination Agent a written acceptance of such designation.

“*Financial Obligation*” shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). 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 the Rule.

“*Listed Events*” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” shall mean the Official Statement dated February __, 2022, relating to the Bonds.

“Participating Underwriter” shall mean BofA Securities, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if a party other than the District) to, not later than the Annual Report Date, commencing April 1, 2022, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement, provided that the obligation to file the first Annual Report on April 1, 2022 shall be satisfied by the posting of the Official Statement with the MSRB. Not later than 15 calendar days prior to such date, the District shall provide its Annual Report to the Dissemination Agent, if the Dissemination Agent is a different entity than the District. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the District may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. 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(a). 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 hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District in a timely manner shall send to the MSRB a notice in an electronic format as prescribed by the MSRB, accompanied by such identifying information as prescribed by the MSRB.

(c) If a party other than the District, the Dissemination Agent shall:

1. provide any Annual Report received by it to the MSRB by the date required in subsection (a);
2. file a report with the District and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date it was provided; and
3. take any other actions as are mutually agreed upon between the Dissemination Agent and the District.

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

(a) Audited financial statements of the District for the prior fiscal year 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 such audited financial statements are not available at the time that the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information for the prior fiscal year in substantially the form set forth in the following tables in the Official Statement under the caption “THE WATER SYSTEM”:

1. Table 1 – Historical Water Supply in Millions of Gallons;
2. Table 2 – Historical Water System Deliveries in Millions of Gallons;
3. Table 3 – Historical Water System Connections;
4. Table 4 – Historical Water System Sales Revenues; and
5. Table 5 – Ten Largest Water System Customers.

(d) An update of the information for the prior fiscal year in substantially the form set forth in the following tables in the Official Statement under the caption “THE WASTEWATER SYSTEM”:

1. Table 13 – Historical Wastewater System Connections;
2. Table 14 – Historical Wastewater System Usage;
3. Table 15 – Historical Recycled Water Sales;
4. Table 16 – Historical Wastewater System Service Charge Revenues;
5. Table 17 – Ten Largest Wastewater System Customers;

(e) An update of the information for the prior fiscal year in substantially the form set forth in the following table in the Official Statement under the caption “FINANCIAL INFORMATION”:

1. Table 25 – Historical Operating Results and Debt Service Coverage Fiscal Year Ended June 30.

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, that are available to the public on the MSRB’s Internet website or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. Principal and interest payment delinquencies.
2. Unscheduled draws on debt service reserves reflecting financial difficulties.
3. Unscheduled draws on credit enhancements reflecting financial difficulties.
4. Substitution of credit or liquidity providers, or their failure to perform.
5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).
6. Tender offers.
7. Defeasances.
8. Rating changes.
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

1. Unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
2. Modifications to the rights of Bondholders.
3. Bond calls.

4. Release, substitution or sale of property securing repayment of the Bonds.
5. Non-payment related defaults.
6. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the District, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the District determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the District, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and, if the Dissemination Agent is other than the District, the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the District and the Dissemination Agent specified in this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the District shall act as Dissemination Agent. The initial Dissemination Agent shall be the District.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to annual or event information to be provided hereunder, 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 the District or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver: (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of Bond owners.

The District shall describe any amendment to this Disclosure Agreement in the next Annual Report filed after such amendment takes effect.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 the change in the accounting principles shall be sent to the MSRB.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provisions of this Disclosure Agreement, any Participating Underwriter or any holder or Beneficial Owner of the Bonds, or the Trustee on behalf of the holders of the Bonds (after receiving indemnification to its satisfaction), 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 Agreement. A default under this Disclosure Agreement shall not be deemed to be a default

under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as described hereunder, if any, 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 obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Agreement. The District shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given to the District and the Dissemination Agent (if other than the District) as follows:

District: El Toro Water District
24251 Los Alisos Boulevard
Lake Forest, California 92630
Attention: General Manager

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

Section 14. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: March __, 2022

EL TORO WATER DISTRICT

By: _____
General Manager

\$[_____]
**EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS,
SERIES 2022A**

BOND PURCHASE CONTRACT

February [], 2022

El Toro Water District Financing Authority
24251 Los Alisos Boulevard,
Lake Forest, California 92630

El Toro Water District
24251 Los Alisos Boulevard,
Lake Forest, California 92630

Ladies and Gentlemen:

BofA Securities, Inc. (the “Underwriter”) hereby offers to enter into this Bond Purchase Contract (this “Purchase Contract”) with the El Toro Water District Financing Authority (the “Authority”) and the El Toro Water District (the “District”). This offer is made subject to the Authority’s and the District’s acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m. on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the District at any time prior to such acceptance. Upon the Authority’s and District’s acceptance hereof, the Purchase Contract will be binding upon the Authority, the District and the Underwriter.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Indenture (defined below).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Contract, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$[_____] El Toro Water District Financing Authority Water and Wastewater Revenue Bonds, Series 2022A (the “Bonds”) at a purchase price of \$[_____] (being an amount equal to the principal amount of the Bonds (\$[_____]), [plus/less] [net] [premium/discount] of \$[_____] , and less an Underwriter’s discount of \$[_____]).

The Authority and the District acknowledge and agree that: (i) the Underwriter is not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm's length commercial transaction among the Authority, the District and the Underwriter and the Underwriter has financial and other interests that differ from those of the Authority and the District; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the District and has not assumed any advisory or fiduciary responsibility to the Authority or the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority or the District on other matters); (iv) the only obligations the Underwriter has to the Authority or the District with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (v) the Authority and the District have consulted their own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent they have deemed appropriate.

Section 2. Bond Terms; Authorizing Instruments; Purposes of the Bonds. The Bonds shall be dated their date of delivery and shall mature and bear interest as shown on Exhibit A attached hereto. The Bonds shall be as described in, and shall be issued and secured under, an Indenture of Trust, dated as of March 1, 2022 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, Los Angeles, California, as trustee (the "Trustee"). The Bonds are payable and subject to redemption as provided in the Indenture and as described in the Official Statement (defined below). Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Indenture and the Installment Purchase Agreement, dated as of March 1, 2022 (the "Installment Purchase Agreement"), by and between the Authority and the District.

The proceeds of the sale of the Bonds will be used to provide funds: (i) to finance certain capital improvements to the District's potable water system, recycled water system and sanitary sewer system; (ii) to refinance certain capital improvements to the potable water system and recycled water system of the District, as further described in the Official Statement and (iii) to pay costs incurred in connection with the issuance of the Bonds.

Section 3. Public Offering. The Underwriter intends to make an initial bona fide public offering of the Bonds at a price or prices described in Exhibit A hereto; provided, however, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Bonds (but in all cases subject to the requirements of Section 4 hereof), and may offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriter at prices lower than the public offering prices or yields greater than the yields set forth therein (but in all cases subject to the requirements of Section 4 hereof). The Underwriter shall provide to the Authority and the District a certificate setting forth the offering prices of the Bonds in substantially the form set forth in Exhibit B.

Section 4. Establishing the Issue Price for the Bonds.

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, substantially in the form attached hereto as Exhibit B, together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this Section to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority’s municipal identified herein and any notice or report to be provided to the Authority may be provided to the Authority’s municipal advisor.

(b) Except for the maturities set forth in in Schedule A to Exhibit B attached hereto, the Authority represents that it will treat the first price at which 10% of each maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). If, as of the date hereof, the 10% Test has not been satisfied as to any maturity of the Bonds for which the Authority has elected to utilize the 10% Test, the Underwriter agrees to promptly report to the Authority the prices at which Bonds of that maturity or maturities have been sold by the Underwriter to the public. That reporting obligation shall continue until the earlier of the date upon which the 10% Test has been satisfied as to the Bonds of that maturity or maturities or the Closing Date.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule A to Exhibit B attached hereto, except as otherwise set forth therein. Schedule A to Exhibit B also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

- (i) any selling group agreement and each third-party distribution agreement (to which the Underwriter is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each

dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(1) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% Test has been satisfied as to the Bonds of that maturity and (ii) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the related pricing wires, and

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

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

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

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

(e) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this Section 4:

- (i) “public” means any person other than an underwriter or a related party to an underwriter,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) 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), (ii) 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 (iii) 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 of execution of this Purchase Contract by all parties.

Section 5. Preliminary Official Statement and Official Statement. The Authority and the District have approved the use and electronic distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement relating to the Bonds dated [_____], 2022, in connection with the public offering of the Bonds (the “Preliminary Official Statement”). The Authority and the District have deemed final the Preliminary Official Statement as of the date thereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for information permitted to be omitted therefrom in accordance with paragraph (b)(1) of Rule 15c2-12.

The Authority hereby agrees to deliver or cause to be delivered to the Underwriter, within seven (7) business days from the date hereof, and in any event not later than the two (2) business days before the Closing Date (as defined herein): (A) the form of the final Official Statement relating to the Bonds in “designated electronic format” (as defined in Municipal Securities Rulemaking Board (“MSRB”) Rule G-32); and (B) copies of the final Official Statement relating

to the Bonds, dated the date hereof, in the form of the Preliminary Official Statement, with such changes thereto, as may be approved by the Underwriter (including the appendices thereto and any amendments or supplements as have been approved by the Authority and the Underwriter, the “Official Statement”), in such quantity as the Underwriter shall reasonably request. The Authority and the District hereby approve of the distribution and use by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Authority and the Underwriter. If the Official Statement is prepared for distribution in electronic form, the Authority and the District hereby confirm that they do not object to distributions of the Official Statement in electronic form.

In order to assist the Underwriter in complying with Rule 15c2-12, the District has undertaken pursuant to the Continuing Disclosure Certificate (the “Disclosure Certificate”), to provide annual financial information and notices of the occurrence of specified events. A description of the Disclosure Certificate is set forth in, and a form of such agreement is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

Section 6. Representations, Warranties and Covenants of the Authority. The Authority hereby represents, warrants and agrees with the Underwriter that:

(a) The board of directors of the Authority has taken official action by Resolution (the “Authority Resolution”) adopted by a majority of the members of the board of directors of the Authority at a regular meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, on February 14, 2022, all action necessary to be taken by it for the execution, delivery and due performance of the Authority Agreements (defined herein) and the Official Statement and the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby.

(b) The Authority is a public entity that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State of California (the “State”) and has all necessary power and authority to adopt the Authority Resolution, to enter into and perform its duties under the Indenture, the Installment Purchase Agreement and this Purchase Contract (collectively, the “Authority Agreements”) and, when executed and delivered by the respective parties thereto, the Authority Agreements will each constitute legal, valid and binding obligation of the Authority enforceable in accordance with its respective terms.

(c) By all necessary official action, the Authority has duly adopted the Authority Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the Authority Agreements, and the consummation by it of all other transactions contemplated by the Authority Resolution, the Authority Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by their respective parties, the Authority Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect

and each will constitute legal, valid and binding agreements or obligations of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the Authority's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Preliminary Official Statement and the Official Statement are true and correct and do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Authority or, to the best knowledge of the Authority, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of the Authority Agreements, or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Preliminary Official Statement, the Official Statement, or any other agreement or instrument to which the Authority is a party relating to the Bonds.

(f) The execution and delivery of the Authority Agreements and compliance with the provisions on the Authority's part contained herein and therein, and execution and delivery of the Official Statement, will not conflict with, or constitute a breach of, or default under, the Authority's duties under said documents or any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, to which the Authority is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the Authority's ability to perform its obligations under the Authority Agreements, including its obligation to pay debt service on the Bonds, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Indenture.

(g) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of this Purchase Contract or the consummation by the Authority of the other transactions contemplated by the Preliminary Official Statement and the Official Statement or the Authority Agreements.

(h) Any certificate signed by any official of the Authority authorized to do so shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(i) The Authority is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, installment sale agreement, resolution, agreement or other instrument, to which the Authority is a party or is otherwise subject which breach or default could have a material adverse effect upon the Authority's ability to perform its obligations under the Authority Agreements, including its obligation to pay debt service on the Bonds, including but not limited to any obligation to replace an existing debt service reserve insurance policy or surety bond, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, and which default could have a material adverse effect upon the Authority's ability to perform its obligations under the Authority Agreements.

(j) Except for information which is permitted to be omitted pursuant to Rule 15c2-12(b)(1), the Preliminary Official Statement (excluding therefrom the information under the captions "THE BONDS – BOOK-ENTRY ONLY SYSTEM" and "UNDERWRITING" and in Appendix D, as to which no representations or warranties are made), as of its date and as of the date hereof was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) As of the date hereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement did not and, if no event as described in the immediately following subparagraph occurs or if such event occurs the information contained in the Official Statement is amended or supplemented pursuant to such subparagraph, will not contain any untrue or misleading statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) During the period between the date of this Purchase Contract and the date which is 25 days following the End of the Underwriting Period: (i) the Authority shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter; and (ii) if an event occurs, of which the Authority has knowledge, which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriter, and if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the Authority.

(m) If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended

pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the end of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(n) As used herein and for the purposes of the foregoing, the term “End of the Underwriting Period” shall mean the Closing unless the Underwriter advises the Authority that the Underwriter continues to hold Bonds for sale at the time of the Closing in which case the “End of the Underwriting Period” shall have the meaning set forth in Rule 15c2-12.

(o) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the Authority will not have issued any bonds, notes or other obligations for borrowed money on behalf of the District, except for such borrowings as may be described in or contemplated by the Official Statement.

(p) Except as disclosed in the Preliminary Official Statement and the Official Statement, the Authority has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12.

(q) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order: (1) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (2) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that the Authority will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

(r) The Indenture and the Bonds conform to the descriptions thereof contained in the Official Statement and the Bonds, when duly issued and authenticated in accordance with the Indenture and delivered to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Authority, entitled to the benefits of the Indenture and payable from the sources therein specified.

(s) The Authority, to the best of its knowledge, has never been and is not in default in the payment of principal of, premium, if any, or interest on, or otherwise is not nor has it been in default with respect to, any bonds, notes, or other obligations which it has issued, assumed or guaranteed as to payment of principal, premium, if any, or interest.

Section 7. Representations, Warranties and Covenants of the District. The District hereby represents, warrants and agrees with the Underwriter that:

(a) The board of directors of the District has taken official action by Resolution (the “District Resolution”) adopted by a majority of such members of the board of directors at a meeting duly called, noticed and conducted, at which a quorum was present and

acting throughout, on February 14, 2022, all action necessary to be taken by it for the execution, delivery and due performance of the District Agreements (defined herein) and the Official Statement and the taking of any and all such action as may be required on the part of the District to carry out, give effect to and consummate the transactions contemplated hereby.

(b) The District is a California Water District duly organized and existing under the laws of the State and has all necessary power and authority to adopt the District Resolution, to enter into and perform its duties under the Installment Purchase Agreement, the Disclosure Certificate and this Purchase Contract (collectively, the “District Agreements”) and, when executed and delivered by the respective parties thereto, the District Agreements will each constitute legal, valid and binding obligation of the District enforceable in accordance with its respective terms.

(c) By all necessary official action, the District has duly adopted the District Resolution, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the District Agreements, and the consummation by it of all other transactions contemplated by the District Resolution and the District Agreements. When executed and delivered by their respective parties, the District Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the District, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the District’s acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Preliminary Official Statement and the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the District or, to the best knowledge of the District, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the District, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of the District Agreements, or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Preliminary Official Statement, the Official Statement, or any other agreement or instrument to which the District is a party relating to the Bonds.

(f) The execution and delivery of the District Agreements and compliance with the provisions on the District’s part contained herein and therein, will not conflict with, or constitute a breach of, or default under, the District’s duties under said documents or any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution,

agreement or other instrument, to which the District is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the District's ability to perform its obligations under the District Agreements, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Installment Purchase Agreement.

(g) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of this Purchase Contract or the consummation by the District of the other transactions contemplated by the Preliminary Official Statement, the Official Statement or the District Agreements.

(h) Any certificate signed by any official of the District authorized to do so shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(i) The District is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, installment sale agreement, resolution, agreement or other instrument, to which the District is a party or is otherwise subject which breach or default could have a material adverse effect upon the District's ability to perform its obligations under the District Agreements, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, and which default could have a material adverse effect upon the District's ability to perform its obligations under the District Agreements.

(j) Except for information which is permitted to be omitted pursuant to Rule 15c2-12(b)(1), the Preliminary Official Statement (excluding therefrom the information under the captions "THE BONDS – BOOK-ENTRY ONLY SYSTEM" and "UNDERWRITING" and in Appendix D, as to which no representations or warranties are made), as of its date and as of the date hereof was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) As of the date hereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement did not and, if no event as described in the immediately following subparagraph occurs or if such event occurs the information contained in the Official Statement is amended or supplemented pursuant to such subparagraph, will not contain any untrue or misleading statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) During the period between the date of this Purchase Contract and the date which is 25 days following the End of the Underwriting Period: (i) the District shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter; and (ii) if an event occurs, of which the District has knowledge, which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the District.

(m) If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the end of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(n) As used herein and for the purposes of the foregoing, the term “End of the Underwriting Period” shall mean the Closing unless the Underwriter advises the District that the Underwriter continues to hold Bonds for sale at the time of the Closing in which case the “End of the Underwriting Period” shall have the meaning set forth in Rule 15c2-12.

(o) The financial statements of the District contained in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of operations of the District as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles consistently applied and, other than as has been disclosed to the Underwriter and described in the Official Statement, since the date hereof, there has been no material adverse change in the financial position or results of operations of the District since June 30, 2021.

(p) As of the date of Closing, other than as has been disclosed to the Underwriter and described in the Preliminary Official Statement and the Official Statement, there shall have been no increases in the long term debt of the District since June 30, 2021, or in any debt of the District secured by a pledge of or payable from Revenues or Net Revenues since June 30, 2021.

(q) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the District will not have issued any bonds, notes or other obligations for borrowed money on behalf of the District, except for such borrowings as may be described in or contemplated by the Official Statement.

(r) Except as disclosed in the Preliminary Official Statement and the Official Statement, the District has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12.

(s) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order: (1) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (2) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that the District will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

(t) The Official Statement is, as of its date and at all times after the date of the Official Statement (excluding therefrom the information under the captions “THE BONDS – BOOK-ENTRY ONLY SYSTEM” and “UNDERWRITING” and in Appendix D, as to which no representations or warranties are made) up to and including the date of Closing will be, true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(u) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended) at all times subsequent thereto up to and including the time of Closing, the Official Statement (excluding therefrom the information under the captions “THE BONDS – BOOK-ENTRY ONLY SYSTEM” and “UNDERWRITING” and in Appendix D, as to which no representations or warranties are made) up to and including the date of Closing will be, true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 8. The Closing. At 8:00 A.M., Pacific Standard Time, on March [], 2022, or at such other time or on such earlier or later date as the Authority and the Underwriter mutually agree upon (herein called the “Closing”), the Authority will deliver or cause to be delivered to the Underwriter: (a) through the facilities of The Depository Trust Company in New York, New York, the Bonds; and (b) at the offices of Stradling Yocca Carlson & Rauth, P.C., 660 Newport Center Drive, Suite 1600, Newport Beach, California 92660, or such other place as the Authority and the Underwriter mutually agree upon, the other documents hereinafter mentioned. The Bonds will be issued in the form of a separate single fully registered bond for each maturity. Upon initial execution, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of The Depository Trust Company.

CUSIP identification numbers shall be printed on the Bonds, but the failure to print such number on any Bond or any error with respect thereto shall not constitute cause for a failure or refusal by the Underwriter to accept delivery of, or pay for, the Bonds in accordance with the

terms of this Purchase Contract. All expenses in relation to the printing of CUSIP numbers on said Bonds and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid for by the Authority from Bond proceeds.

The Underwriter will accept delivery of the Bonds and pay the purchase price thereof in immediately available funds to the order of the Trustee in an amount equal to the purchase price. The Bonds will be made available for checking not later than 12:00 p.m. on the business day prior to the Closing.

Section 9. Conditions to Underwriter's Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the Authority and the District contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the Authority and the District of their obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) The representations and warranties of the Authority and the District contained in this Purchase Contract shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing;

(b) As of the date of the Closing, the Official Statement may not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter;

(c) (i) As of the date of the Closing, the Authority Resolution and the Authority Agreements shall be in full force and effect, and may not have been amended, modified or supplemented, except as may have been agreed to by the Authority and Underwriter, and (ii) the Authority shall perform or have performed all of its obligations required under or specified in the Authority Resolution, the Authority Agreements and this Purchase Contract to be performed at or prior to the date of the Closing;

(d) As of the date of the Closing, the District Resolution and the District Agreements shall be in full force and effect, and may not have been amended, modified or supplemented, except as may have been agreed to by the District and Underwriter, and (ii) the District shall perform or have performed all of its obligations required under or specified in the District Resolution, the District Agreements and this Purchase Contract to be performed at or prior to the date of the Closing;

(e) As of the date of the Closing, all necessary official action of the Authority and the District relating to the Authority Agreements, the District Agreements, the Authority Resolution, the District Resolution and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(f) Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in or particularly affecting the

Authority, the District, the District's System (as such term is defined in the Installment Purchase Agreement) or the Bonds, as these matters are described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds;

(g) As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

- (1) Certified copies of the Authority Resolution.
- (2) Certified copies of the District Resolution.
- (3) The Indenture duly executed on behalf of the Authority and the Trustee.
- (4) The executed Installment Purchase Agreement.
- (5) The Preliminary Official Statement and the Official Statement with the Official Statement duly executed on behalf of the Authority and the District and delivered in the time frame, and in the numbers, specified in Section 5 hereof.
- (6) The executed Disclosure Certificate.
- (7) An approving opinion of Bond Counsel, dated as of the Closing, as to the validity of the Bonds and the exclusion of interest on the Bonds from federal gross income and State income taxation, addressed to the Authority substantially in the form attached as Appendix C to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter.
- (8) A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that:
 - (i) The Purchase Contract has been duly executed and delivered by the Authority and is valid and binding upon the Authority, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;
 - (ii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and
 - (iii) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS," APPENDIX B—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT PURCHASE AGREEMENT AND THE INDENTURE" and APPENDIX C—"FORM OF OPINION OF BOND COUNSEL" insofar as such statements purport to describe certain provisions of the Bonds, the Indenture, or to state

legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof.

(9) The letter of Strading Yocca Carlson & Rauth, Disclosure Counsel, addressed to the Authority and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of the date of the Closing, the Official Statement (except for the appendices thereto, any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, or any information about The Depository Trust Company or its book-entry only system, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) An opinion of the Authority's General Counsel, dated as of the Closing addressed to the Authority and the Underwriter, substantially in the form attached hereto as Exhibit C.

(11) An opinion of the District's General Counsel, dated as of the Closing addressed to the District and the Underwriter, substantially in the form attached hereto as Exhibit D.

(12) A certificate of the Authority, dated as of the Closing, signed by an authorized representative of the Authority satisfactory to the Underwriter, to the effect that:

(i) the representations, warranties and covenants of the Authority contained herein are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing;

(ii) the Authority Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the Authority and the Underwriter;

(iii) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing;

(iv) subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Authority, whether or not arising in the ordinary course of the operations of the Authority, as described in the Official Statement; and

(v) the Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to

make the statements therein, in the light of the circumstances under which they are made, not misleading.

(13) A certificate of the District, dated as of the Closing, signed by an authorized representative of the District satisfactory to the Underwriter, to the effect that:

(i) the representations, warranties and covenants of the District contained herein are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing;

(ii) the District Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the District and the Underwriter;

(iii) the District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing;

(iv) subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the District, whether or not arising in the ordinary course of the operations of the District, as described in the Official Statement; and

(v) the Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(14) The opinion of counsel of the Trustee, dated as of the Closing, addressed to the Authority and the Underwriter to the effect that:

(i) the Trustee is a banking corporation duly organized, validly existing and in good standing under the laws of the State, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Indenture and to enter into the Indenture;

(ii) the performance by the Trustee of the duties required under the Indenture has been duly authorized by all necessary corporate action on the part of the Trustee, and under present law does not contravene any law or government regulation or order presently binding on the Trustee or contravene any law or governmental regulation or order presently binding on the Trustee or the articles of association/articles of incorporation/charter, as applicable, or the bylaws of the Trustee or contravene any provision of or constitute a default under any indenture, contract or other instrument to which the Trustee is a party or by which the Trustee is bound;

(iii) the performance by the Trustee of the duties required under the Indenture does not require the consent or approval of, the giving of notice to, the registration

with, or the taking of any other action in respect of, any federal, state or other governmental agency or authority;

(iv) the Indenture has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture constitutes a legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought; and

(v) no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the application of proceeds thereof in accordance with the Indenture, or in way contesting or affecting the Bonds or the Indenture.

(15) A certificate or certificates, dated as of the Closing, in form and substance acceptable to the Underwriter, of an authorized officer of officers of the Trustee to the effect that the Trustee has accepted the duties imposed by the Indenture and is authorized to carry out such duties.

(16) An Arbitrage Certificate for the Bonds.

(17) Evidence that a Form 8038-G relating to the Bonds has been executed by the Authority and will be filed with the Internal Revenue Service within the applicable time limit.

(18) Evidence of required filings with the California Debt and Investment Advisory Commission.

(19) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system.

(20) The letter of Katten Muchin Rosenman LLP, counsel for the Underwriter, dated the date of Closing and addressed to the Underwriter in form and substance satisfactory to the Underwriter.

(21) Evidence satisfactory to the Underwriter that S&P Global Ratings has rated the Bonds the rating set forth in the Official Statement.

(22) A letter or letter to the State of California Water Resources Control Board relating to the payoff of the North Line State Loan, the Recycle Phase I State Loan and the Recycle Phase II State Loan (as such terms are defined in the Official Statement).

(23) A parity debt certificate as required by the 2016 ISA (as such term is defined in the Official Statement).

(24) Evidence that the District and the Authority have adopted a debt management policy meeting the requirements of Section 8855 of the California Government Code.

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

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the Authority is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Authority shall be under further obligations hereunder, except that the respective obligations of the Authority and the Underwriter set forth in Section 12 of this Purchase Contract shall continue in full force and effect.

Section 10. Conditions to Authority's Obligations. The performance by the Authority of its obligations under this Purchase Contract is conditioned upon: (i) the performance by the Underwriter of its obligations hereunder and (ii) receipt by the Authority of opinions addressed to the Authority, and receipt by the Underwriter of opinions addressed to the Underwriter, and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the Authority.

Section 11. Termination Events. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(a) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation by the staff of either such Committee, or by the staff of the Joint Committee on taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of

such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Authority, or the interest on bonds or notes (including the Bonds); or

(b) there shall exist any event which in the reasonable opinion of the Underwriter either: (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or

(c) there shall have occurred any new outbreak of hostilities or other national or international calamity or crisis or the escalation of any such outbreak, calamity or crisis, the effect of such outbreak, calamity, crisis or escalation on the financial markets of the United States being such as would make it impracticable, in the reasonable opinion of the Underwriter, for the Underwriter to sell the Bonds; or

(d) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by orders of the Securities and Exchange Commission or any other governmental authority; or

(e) a general banking moratorium shall have been declared by either Federal, California or New York authorities having jurisdiction and be in force; or

(f) there shall be established any new restrictions on transactions in securities materially affecting the free market for securities (including the imposition of any limitations on interest rates) or the extension of credit by, or the charge to the net capital requirements of, Underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order; or

(g) an adverse event has occurred affecting the financial condition or operation of the Authority or the District which, in the opinion of the Underwriter, requires or has required a supplement or amendment to the Official Statement; or

(h) the ratings of the Bonds shall have been downgraded or withdrawn by a national rating service referred to in Section 9(g)(21) hereof, which, in the Underwriter's opinion, materially adversely affects the market price of the Bonds; or

(i) the occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market; or

(j) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(k) the general suspension of trading on any national securities exchange; or

(l) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(m) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the authentication, delivery, offering or sale of obligations of the general character of the Bonds, or the authentication, delivery, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(n) the commencement of any action, suit or proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the Authority after due investigation, threatened: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the authentication or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds, the Authority Agreements or the consummation of the transactions contemplated thereby or contesting the powers of the Authority to enter into the Authority Agreements; (iii) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the Authority or to its ability to pay debt service on the Bonds when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(o) the commencement of any action, suit or proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the District after due investigation, threatened: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or

enjoin the authentication or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds, the District Agreements or the consummation of the transactions contemplated thereby or contesting the powers of the District to enter into the District Agreements; (iii) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the District or to its ability to pay debt service on the Bonds when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(p) any change in or particularly affecting the Authority, the District, the Authority Resolution, the District Resolution, the Authority Agreements, the District Agreements or the District's Net Revenues as the foregoing matters are described in the Preliminary Official Statement or the Official Statement.

Section 12. Expenses. All expenses and costs of the Authority incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including the costs of printing or reproduction of the Bonds, the Authority Agreements, the Preliminary Official Statement and the Official Statement in reasonable quantities, fees of consultants, fees of rating agencies, advertising expenses, fees and expenses of the Trustee and its counsel and fees and expenses of counsel to the Authority, the District and Bond Counsel, shall be paid by the Authority from the proceeds of the Bonds or other revenues of the Authority. The Authority shall be solely responsible for and shall pay for any expenses incurred by the Underwriter on behalf of the Authority's employees and representatives which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives. All expenses and costs of the Underwriter incurred under or pursuant to this Purchase Contract, including, without limitation, the cost of preparing this Purchase Contract and other Underwriter documents, travel expenses and the fees and expenses of counsel to the Underwriter, shall be paid by the Underwriter (which may be included as an expense component of the Underwriter's discount).

Section 13. Use of Documents. The Authority and the District hereby authorize the Underwriter to use, in connection with the public offering and sale of the Bonds, this Purchase Contract, the Preliminary Official Statement, the Official Statement and the Authority Agreements, and the information contained herein and therein. The District hereby authorizes the Underwriter to use, in connection with the public offering and sale of the Bonds, this Purchase Contract and the District Agreements, and the information contained herein and therein.

Section 14. Notices. Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing to the General Manager at the Authority's address set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may

be given by delivering the same in writing to the Underwriter at 555 California Street, Suite 1160, San Francisco, California 94104, Attention: Holly Vocal.

Section 15. Qualification of Securities. The Authority and the District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to provide for the continuance of such qualification; provided, however, neither the Authority nor the District will be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

Section 16. Survival of Representations, Warranties, Agreements. All of the Authority's and the District's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section shall survive any termination of this Purchase Contract.

Section 17. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the Authority, the District and the Underwriter (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter, the Authority or the District without the prior written consent of the other parties hereto.

Section 18. Attorneys' Fees. In the event of a dispute arising under this Purchase Contract, the prevailing party shall have the right to collect from the other party its reasonable costs and necessary disbursements and attorneys' fees incurred in enforcing this Purchase Contract.

Section 19. Governing Law. THIS PURCHASE CONTRACT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO CHOICE OF LAW RULES.

Section 20. Severability. In the event that any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 21. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 22. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the Authority and the District, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

BOFA SECURITIES, INC., as Underwriter

By: _____
Authorized Signatory

Accepted:

EL TORO WATER DISTRICT FINANCING
AUTHORITY

By: _____
Authorized Signatory

EL TORO WATER DISTRICT

By: _____
Authorized Signatory

EXHIBIT A

MATURITY SCHEDULE

\$[_____]

**EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A**

<i>Maturity (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Satisfied</i>
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\$ _____ % Term Bond due June 1, 20 __, Yield: _____ %, Price: _____, 10% Test Satisfied:

^c Priced to optional redemption date of [_____] 1, 20[___] at par.

EXHIBIT B

\$[_____]

EL TORO WATER DISTRICT FINANCING AUTHORITY WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A

ISSUE PRICE CERTIFICATE OF THE UNDERWRITER

The undersigned, on behalf of BofA Securities, Inc. (“BofA Securities”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

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 A.]

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) BofA Securities offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Contract, dated February [], 2022, by and among BofA Securities, the Issuer and the El Toro Water District, BofA Securities has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds 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. BofA Securities has not offered or sold any unsold Bonds of 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 Bonds during the Holding Period.]

3. ***Defined Terms.***

(a) ***[General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”]

(b) ***[Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A 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 ([], 2022), or (ii) the date on which BofA Securities has 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 El Toro Water District Financing Authority.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds 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 Bonds. The Sale Date of the Bonds is February [], 2022.

(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 Bonds 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 Bonds 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 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents BofA Securities’ 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 Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Stradling Yocca Carlson & Rauth, a Professional Corporation in connection with rendering its opinion that the interest on the Bonds 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 Bonds. The certifications contained herein are not necessarily based on personal knowledge of the undersigned but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

BOFA SECURITIES, INC.

By: _____
Name:
Title:

Dated: March [], 2022

SCHEDULE A

SALE PRICES OF THE BONDS

\$[_____]

**EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A**

<i>Maturity (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Satisfied</i>
-------------------------------------	--------------------------------	-----------------------------	---------------------	---------------------	--------------------------------------

\$ _____ % Term Bond due June 1, 20 __, Yield: _____ %, Price: _____, 10% Test Satisfied:

^c Priced to optional redemption date of [_____] 1, 20[___] at par.

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

EXHIBIT C
FORM OF OPINION OF THE GENERAL COUNSEL TO THE AUTHORITY

March [], 2022

BofA Securities, Inc.
San Francisco, California

Re:

\$[]

EL TORO WATER DISTRICT FINANCING AUTHORITY
Water and Wastewater Revenue Bonds,
Series 2022A

Ladies and Gentlemen:

We are general counsel to El Toro Water District Financing Authority (the “Authority”), and in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”), we have examined Resolution No. [____], adopted by the Board of Directors of the Authority on February 14, 2022 (the “Resolution”), which approved the form of (i) the Purchase Contract (the “Purchase Contract”) dated February [], 2022, by and among BofA Securities, Inc., the El Toro Water District (the “District”) and the Authority, (ii) the Indenture of Trust, dated as of March 1, 2022 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, Los Angeles, California, as trustee (the “Trustee”), (iii) the Installment Purchase Agreement, dated as of March 1, 2022 (the “Installment Purchase Agreement”), by and between the Authority and the District, and (iv) the Official Statement (the “Official Statement”) of the Authority dated February [], 2022, relating to the Bonds. We have also reviewed such other documents and matters of fact and law as we deem necessary in connection with the following opinions; and all capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Contract.

In our examination, we have assumed, without independent investigation, the authenticity of all documents submitted to us as originals, of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents and the accuracy of the statements and representations contained in such documents. In addition, we have assumed the authority of and due execution by each of the parties to the documents other than the Authority.

As used in this opinion, the phrase “current actual knowledge” means knowledge as we have obtained from (i) the incumbency and signature certificate of the Authority, (ii) the representations and warranties contained in each closing certificate of the Authority, and (iii) knowledge of facts or other information currently known to lawyers in our firm who have performed legal services for the Authority.

Based on the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is a public body that is duly organized and existing under the Joint Exercise of Powers Agreement, dated as of February 1, 2022, by and between the District and the California Statewide Communities Development Authority, and under the Constitution and laws of the State, and has all necessary power and authority to enter into and perform its duties under the Authority Agreements, and the Authority Agreements constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' remedies generally or the application of equitable principles when equitable remedies are sought, or except as rights of indemnity may be limited by principles of public policy.

2. The individuals executing the Authority Agreements and Official Statement on behalf of the Authority are officers of the Authority holding the offices set forth after their respective signatures, and are lawfully authorized to execute and deliver such documents on behalf of the Authority.

3. The Board of Directors of the Authority has duly and validly adopted the Resolution at a regular meeting of the Authority that was called and held with all required notice and at which a quorum was present and acting throughout, and the Resolution is now in full force and effect.

4. To our current actual knowledge, the Authority's execution and delivery of the Authority Agreements and performance by the Authority of its obligations contained therein, and the Authority's execution and delivery of the Official Statement, will not and do not conflict with, or constitute a breach of or default under, the Authority's duties under the Authority Agreements, any law, administrative regulation, judgment, decree, loan agreement, installment sale agreement, indenture, bond, note, resolution, agreement or other instrument, to which the Authority is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the Authority's ability to perform its obligations under the Authority Agreements, including its obligation to pay principal and interest on the Bonds, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture.

5. Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of the Authority Agreements or the issuance of the Bonds or the consummation by the Authority of the other transactions contemplated by this Purchase Contract.

6. To our current actual knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or governmental agency, public board or body pending or threatened against the Authority affecting the existence of the Authority or

challenging the title of any director of the Authority or the President of the Board of Directors of the Authority to their respective offices, or seeking to prohibit, restrain or enjoin the issuance of the Bonds, or in any way contesting or affecting the validity or enforceability of the Authority Agreements, or the Bonds, or in any way contesting the powers of the Authority or its authority to enter into or perform its obligations under any of the foregoing, or contesting in any way the completeness, accuracy or fairness of the Official Statement, or in which a final adverse decision could materially adversely affect the operations or financial condition of the Authority or the ability of the Authority to perform its obligations under the Authority Agreements.

7. To our current actual knowledge, the Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, installment sale agreement, agreement or other instrument, to which the Authority is a party or is otherwise subject, including but not limited to any obligation to replace an existing debt service reserve insurance policy or surety bond, which breach or default could have a material adverse effect upon the Authority's ability to perform its obligations under the Authority Agreements, including its obligation to pay debt service on the Bonds, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, and which default or event of default could have a material adverse effect upon the Authority's ability to perform its obligations under the Authority Agreements.

This opinion may be relied upon only by the parties to whom it is addressed and may not be circulated, quoted from or relied upon by any other party without our prior written consent.

Respectfully submitted,

FORM OF OPINION OF THE GENERAL COUNSEL TO THE DISTRICT

BofA Securities, Inc.
San Francisco, California

\$[]
EL TORO WATER DISTRICT FINANCING AUTHORITY
Water and Wastewater Revenue Bonds,
Series 2022A

We are general counsel to El Toro Water District (the “District”), and in connection with the issuance by the El Toro Water District Financing Authority (the “Authority”) of the bonds captioned above (the “Bonds”), we have examined Resolution No. [____], adopted by the Board of Directors of the District on February 14, 2022 (the “Resolution”), which approved the form of (i) the Purchase Contract (the “Purchase Contract”) dated February [], 2022, by and among BofA Securities, Inc., the Authority and the District, (ii) the Installment Purchase Agreement, dated as of March 1, 2022 (the “Installment Purchase Agreement”), by and between the Authority and the District and (iii) the Official Statement (the “Official Statement”) dated February [], 2022, relating to the Bonds. We have also reviewed such other documents and matters of fact and law as we deem necessary in connection with the following opinions; and all capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Contract.

In our examination, we have assumed, without independent investigation, the authenticity of all documents submitted to us as originals, of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents and the accuracy of the statements and representations contained in such documents. In addition, we have assumed the authority of and due execution by each of the parties to the documents other than the District.

As used in this opinion, the phrase “current actual knowledge” means knowledge as we have obtained from (i) the incumbency and signature certificate of the District, (ii) the representations and warranties contained in each closing certificate of the District, and (iii) knowledge of facts or other information currently known to lawyers in our firm who have performed legal services for the District.

Based on the foregoing, we are of the opinion, under existing law, as follows:

1. The District is a California Water District duly organized and validly existing under the Constitution and laws of the State of California and has all necessary power and authority to enter into and perform its duties under the District Agreements, and the District Agreements constitute the legal, valid and binding obligations of the District enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' remedies generally or the application of equitable principles when equitable remedies are sought, or except as rights of indemnity may be limited by principles of public policy.

2. The individuals executing the District Agreements and Official Statement on behalf of the District are officers of the District holding the offices set forth after their respective signatures, and are lawfully authorized to execute and deliver such documents on behalf of the District.

3. The Board of Directors of the District has duly and validly adopted the Resolution at a meeting of the District that was called and held with all required notice and at which a quorum was present and acting throughout, and the Resolution is now in full force and effect.

4. To our current actual knowledge, the District's execution and delivery of the District Agreements and performance by the District of its obligations contained therein, and the District's execution and delivery of the Official Statement, will not and do not conflict with, or constitute a breach of or default under, the District's duties under the District Agreements or any law, administrative regulation, judgment, decree, loan agreement, installment sale agreement, indenture, bond, note, resolution, agreement or other instrument, to which the District is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the District's ability to perform its obligations under the District Agreements, including its obligation to pay principal and interest on the Bonds, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Installment Purchase Agreement.

5. Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the District Agreements or the issuance of the Bonds or the consummation by the District of the other transactions contemplated by the Purchase Contract.

6. To our current actual knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or governmental agency, public board or body pending or threatened against the District affecting the existence of the District or challenging the title of any director of the District or the President of the Board of Directors of the District to their respective offices, or seeking to prohibit, restrain or enjoin the issuance of the Bonds, or the collection of Revenues or Net Revenues or in any way contesting or affecting the

validity or enforceability of the District Agreements, or the Bonds or in any way contesting the powers of the District or its District to enter into or perform its obligations under any of the foregoing, or contesting in any way the completeness, accuracy or fairness of the Official Statement, or in which a final adverse decision could materially adversely affect the operations or financial condition of the District or the ability of the District to perform its obligations under the District Agreements.

7. To our current actual knowledge, the District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, installment sale agreement, agreement or other instrument, to which the District is a party or is otherwise subject, including but not limited to any obligation to replace an existing debt service reserve insurance policy or surety bond, which breach or default could have a material adverse effect upon the District's ability to perform its obligations under the District Agreements, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, and which default or event of default could have a material adverse effect upon the District's ability to perform its obligations under the District Agreements.

This opinion may be relied upon only by the parties to whom it is addressed and may not be circulated, quoted from or relied upon by any other party without our prior written consent.

Respectfully submitted,

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 16, 2022

NEW ISSUE – BOOK-ENTRY ONLY

Rating: S&P: _____
See the caption “RATING”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”

\$40,730,000*

**EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A**

Dated: Date of Delivery

Due: June 1, as shown on inside front cover page

The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in denominations of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds is payable on December 1, 2022 and each June 1 and December 1 thereafter. Payment of the principal of and interest on the Bonds is to be made to Cede & Co., which is to disburse said payments to the Beneficial Owners of the Bonds through their nominees.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, all as more fully described herein.

The Bonds are being issued to provide funds: (i) to finance certain capital improvements to the District’s potable water system, recycled water system and sanitary sewer system; (ii) to refinance certain capital improvements to the District’s sanitary sewer system and recycled water system; and (iii) to pay costs incurred in connection with the issuance of the Bonds.

The Bonds are being issued pursuant to the Indenture of Trust, dated as of March 1, 2022, by and between the El Toro Water District Financing Authority and U.S. Bank Trust Company, National Association, as trustee. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM AUTHORITY REVENUES, WHICH CONSIST OF SERIES 2022 INSTALLMENT PAYMENTS TO BE MADE BY THE DISTRICT TO THE AUTHORITY PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT, DATED AS OF MARCH 1, 2022, BY AND BETWEEN THE DISTRICT AND THE AUTHORITY, AND FROM CERTAIN OTHER FUNDS AND ACCOUNTS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

No debt service reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

The Series 2022 Installment Payments are payable from Net Revenues of the System on a parity with the Installment Sale Agreement, dated as of December 1, 2016, by and between the District and Sunflower Bank, N.A., which is currently outstanding in the principal amount of \$8,529,750. The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay Series 2022 Installment Payments, subject to the terms and conditions of the Installment Purchase Agreement, as more fully described herein. No such parity obligations are currently outstanding.

THE OBLIGATION OF THE DISTRICT TO MAKE SERIES 2022 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2022 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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

MATURITY SCHEDULE
(See inside front cover page)

** Preliminary; subject to change.*

4882-8256-6152v4/022008-0008

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

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the District and the Authority by Redwine & Sherrill, LLP, as General Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by its counsel, Katten Muchin Rosenman LLP, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about March 10, 2022.

BofA Securities

Dated: February __, 2022

\$40,730,000*
EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A

MATURITY SCHEDULE

BASE CUSIP[†] _____

<i>Maturity (June 1)*</i>	<i>Principal Amount*</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
2023	\$1,090,000	%	%		
2024	1,375,000				
2025	1,445,000				
2026	1,515,000				
2027	1,590,000				
2028	1,670,000				
2029	1,755,000				
2030	1,840,000				
2031	1,520,000				
2032	1,595,000				
2033	1,425,000				
2034	1,500,000				
2035	1,575,000				
2036	830,000				
2037	860,000				
2038	895,000				
2039	930,000				
2040	980,000				
2041	1,025,000				
2042	1,080,000				
2043	1,130,000				
2044	1,190,000				
2045	1,250,000				
2046	1,310,000				
2047	1,375,000				
2048	1,445,000				
2049	1,515,000				
2050	1,595,000				

\$3,425,000* _____% Term Bond due June 1, 2052*, Yield: _____%, Price: _____, CUSIP[†] _____

* Preliminary; subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

EL TORO WATER DISTRICT FINANCING AUTHORITY

BOARD OF DIRECTORS

Kathryn Freshley, Chair
Kay Havens, Vice Chair
Mike Gaskins
Mark Monin
Jose Vergara

EL TORO WATER DISTRICT

BOARD OF DIRECTORS

Kathryn Freshley, President
Kay Havens, Vice President
Mike Gaskins
Mark Monin
Jose Vergara

STAFF

Dennis P. Cafferty, *General Manager*
Jason Hayden, *Chief Financial Officer*

SPECIAL SERVICES

General Counsel

Redwine & Sherrill, LLP
Riverside, California

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

Trustee

U.S. Bank Trust Company, National Association
Los Angeles, California

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

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

This Official Statement and the information that is contained herein are subject to completion or amendment without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Authority or any other parties that are described herein since the date hereof. These securities may not be sold, nor may an offer to buy them be accepted, prior to the time that the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements which are included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions “THE DISTRICT,” “THE WATER SYSTEM,” “THE WASTEWATER SYSTEM” AND “FINANCIAL INFORMATION.”

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 THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

The District maintains a website; however, information presented on such website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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SUMMARY STATEMENT

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

Purpose. The Bonds are being issued to provide funds: (i) to finance certain capital improvements to the District's potable water system, recycled water system and sanitary sewer system, as described under the caption "THE 2022 PROJECT;" (ii) to refinance certain capital improvements to the District's sanitary sewer system and recycled water system, as described under the caption "REFUNDING PLAN;" and (iii) to pay costs incurred in connection with the issuance of the Bonds. See the caption "ESTIMATED SOURCES AND USES OF FUNDS."

Security for the Bonds. The Bonds are a special limited obligation of the Authority payable solely from Authority Revenues, which consist of Series 2022 Installment Payments to be made by the District to the Authority pursuant to the Installment Purchase Agreement and amounts on deposit in certain funds and accounts established by the Indenture. Neither the full faith and credit nor any other revenues or funds of the Authority are pledged to or available for the payment of debt service on the Bonds. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The obligation of the District to make Series 2022 Installment Payments is a special limited obligation of the District payable solely from Net Revenues of the System, which consist of Revenues of the System remaining after payment of Operation and Maintenance Costs of the System. See the caption "SECURITY FOR THE BONDS."

The obligation of the District to make the Series 2022 Installment Payments under the Installment Purchase Agreement is absolute and unconditional, and until such time as all payments that are required thereunder have been paid in full (or provision for the payment thereof has been made as provided for in the Installment Purchase Agreement), the District will not discontinue or suspend any Series 2022 Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2022 Project or the Refunding Project has been completed, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

THE OBLIGATION OF THE DISTRICT TO MAKE SERIES 2022 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2022 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Reserve Fund. No debt service reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

Rate Covenant. The District will, to the fullest extent permitted by law, fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Service which are reasonably expected, at the commencement of each Fiscal Year, to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 110% of the Debt Service in such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Outstanding Parity Obligations. The Series 2022 Installment Payments are payable from Net Revenues of the System on a parity with the Installment Sale Agreement, dated as of December 1, 2016, by and between the District and Sunflower Bank, N.A., which is currently outstanding in the principal amount of \$8,529,750.

Additional Indebtedness. The Installment Purchase Agreement does not permit the District to make any additional pledge of, or to place any additional lien on, the Revenues, or any portion thereof, which is senior to the pledge and lien securing the payment of the Series 2022 Installment Payments. The Installment Purchase Agreement does permit the District to incur Parity Bonds and Contracts payable on a parity with the Series 2022 Installment Payments provided that certain conditions are satisfied as described herein. Nothing in the Installment Purchase Agreement precludes the District from entering into obligations which are Operation and Maintenance Costs and, therefore, payable from Revenues prior to the Series 2022 Installment Payments, or from issuing any bonds or executing any contracts the payments under which are payable from Net Revenues on a subordinate basis to the Series 2022 Installment Payments, Parity Bonds and Contracts of the District. See the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

Rate Stabilization Fund. There has been previously established with the District a fund called the “rate stabilization reserve” and referred to herein as the “Rate Stabilization Fund.” The District has agreed and covenanted to maintain, so long as any Bonds remain outstanding, the Rate Stabilization Fund. As discussed under the caption “THE DISTRICT—Governance and Management—Management Policies—Cash Reserve Policy,” there is at least \$2,200,000 on deposit in the Rate Stabilization Fund as of the date of the initial issuance of the Bonds. The District may withdraw and deposit amounts therein from time to time in its sole discretion.

Amounts in the Rate Stabilization Fund will be disbursed, allocated and applied by the District solely to the uses and purposes described in the Installment Purchase Agreement, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

The Rate Stabilization Fund and all amounts on deposit therein have been irrevocably pledged to the payment of the Parity Bonds and Contracts as provided in the Installment Purchase Agreement; provided that amounts on deposit in the Rate Stabilization Fund may be apportioned for such purposes as are expressly permitted therein. The foregoing pledge constitutes a first lien on amounts on deposit in the Rate Stabilization Fund for the payment of Contracts and Parity Bonds in accordance with the terms of the Installment Purchase Agreement.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund from time to time and transfer such amounts to the Revenue Fund for application in accordance with the Installment Purchase Agreement. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section during or within 270 days after the end of a Fiscal Year may be taken into account as Revenues for purposes of the calculations that are described under the captions “SECURITY FOR THE BONDS—Rate Covenant” and “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts” in such Fiscal Year to the extent provided in the Installment Purchase Agreement.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See the caption “THE BONDS—Redemption.”

The District. The District is located in south Orange County, approximately 50 miles southeast of downtown Los Angeles. The current population within the District’s 8.48 square mile service area is estimated to be approximately 48,000 residents. Land use in the District’s service area is primarily residential, with areas of commercial and institutional/governmental development.

The District provides water service, wastewater service and recycled water service. The District’s Recycled Water System is accounted for as part of the Wastewater System. As of June 30, 2021, the District had approximately: (i) 8,287 residential (including 5,670 single family residential and 2,617 multi-family residential), 707 commercial and 715 governmental, institutional and other Water System accounts; (ii) 8,287 residential, 707 commercial and 23 governmental, institutional and other Wastewater System accounts; and (iii) 274 Recycled Water System accounts.

The District imports treated and untreated water from the Municipal Water District of Orange County, a member agency of The Metropolitan Water District of Southern California. Untreated water purchases from the Municipal Water District of Orange County and local surface water from Irvine Lake (when made available to the District) are treated at the Baker Water Treatment Plant, in which the District has capacity rights of 3.2 million gallons per day.

District customers generate an average of approximately 3.6 million gallons per day of wastewater. The District-owned Water Recycling Plant has a maximum secondary treatment capacity of approximately 6.0 million gallons per day and a tertiary treatment capacity of approximately 3.7 million gallons per day. Wastewater which is treated to tertiary levels is suitable for delivery to recycled water customers. Treated effluent that is not recycled is disposed of through the Aliso Creek Ocean Outfall.

In Fiscal Year 2021, approximately 39% of the District’s wastewater flow (or 1.5 million gallons per day) was treated to tertiary levels and delivered to recycled water customers, primarily for landscape irrigation for golf courses, homeowners associations, schools, parks and green belts.

\$40,730,000*
EL TORO WATER DISTRICT FINANCING AUTHORITY
WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A

INTRODUCTION

This Official Statement, including the front cover page, the inside front cover page and the appendices, provides certain information concerning the sale and delivery of the El Toro Water District Financing Authority Water and Wastewater Revenue Bonds, Series 2022A (the “**Bonds**”). Descriptions and summaries of various documents that are set forth 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 herein are qualified in their entirety by reference to each such document. Capitalized terms that are used and not otherwise defined in this Official Statement have the meanings ascribed thereto in Appendix B.

The Bonds are being issued to provide funds: (i) to finance certain capital improvements to the District’s potable water system, recycled water system and sanitary sewer system (collectively, the “**2022 Project**”), as discussed under the caption “THE 2022 PROJECT;” (ii) to refinance certain capital improvements to the sanitary sewer system and recycled water system of the El Toro Water District (the “**District**”), as described under the caption “REFUNDING PLAN;” and (iii) to pay costs incurred in connection with the issuance of the Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2022 (the “**Indenture**”), by and between the El Toro Water District Financing Authority (the “**Authority**”) and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). The Bonds are limited obligations of the Authority payable solely from Authority Revenues, which consist of payments (the “**Series 2022 Installment Payments**”) to be made by the District to the Authority pursuant to an Installment Purchase Agreement, dated as of March 1, 2022 (the “**Installment Purchase Agreement**”), by and between the District and the Authority, and amounts on deposit in certain funds and accounts established by the Indenture.

The obligation of the District to make Series 2022 Installment Payments is a special limited obligation of the District payable solely from Net Revenues of the District’s System, which consist of Revenues of the District’s System remaining after payment of Operation and Maintenance Costs of the District’s System. See the caption “SECURITY FOR THE BONDS.” The term “**System**” is defined in Appendix B under the caption “INSTALLMENT PURCHASE AGREEMENT—DEFINITIONS” and includes the District’s potable water system (which is referred to herein as the “**Water System**”), sanitary sewer system (which is referred to herein as the “**Wastewater System**”) and recycled water system (which is accounted for as part of the Wastewater System and is referred to herein as the “**Recycled Water System**”).

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See the caption “THE BONDS—Redemption.”

The Series 2022 Installment Payments are payable from Net Revenues of the System on a parity with the Installment Sale Agreement, dated as of December 1, 2016 (the “**2016 ISA**”), by and between the District and Sunflower Bank, N.A., which is currently outstanding in the principal amount of \$8,529,750. See the caption “THE DISTRICT—Outstanding Parity Obligations.”

The District is permitted to incur obligations payable on a parity with the Series 2022 Installment Payments provided that certain conditions are satisfied as described herein. See the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

** Preliminary; subject to change.*

No debt service reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

The District has undertaken to provide annual reports to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") pursuant to a continuing disclosure agreement. See the caption "CONTINUING DISCLOSURE" and Appendix E.

THE 2022 PROJECT

The 2022 Project consists of the following projects.

<i>2022 Project Component</i>	<i>Estimated Cost</i>
R-6 Floating Cover Replacement Project	\$ 9,776,400
South County Pipeline Turnout Project	3,000,000
Joint Transmission Main Pump Station	2,400,000
Water Filtration Plant Reuse Project	2,917,000
SOCWA Capital Projects	9,974,000
AMI Remote Meter Reading	<u>6,161,900</u>
Total 2022 Project Costs	\$34,229,300

The District intends to apply a portion of the proceeds of the Bonds to pay for the costs of the 2022 Project. The District expects to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the 2022 Project as required by law, and to complete the 2022 Project by early 2025.

Pursuant to the Installment Purchase Agreement, the District may substitute or add additional projects to the 2022 Project. See Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—ACQUISITION OF 2022 PROJECT AND REFUNDING PROJECT—Changes to the 2022 Project."

REFUNDING PLAN

North Line State Loan

The District has entered into Project Finance Agreement No. 10-801-550 (Project No. C-06-7245-110), dated October 13, 2010 (the "**North Line State Loan**"), with the California State Water Resources Control Board (the "**SWRCB**") to finance the costs of certain capital improvements to the Water System. The North Line State Loan is currently outstanding in the principal amount of approximately \$2,236,137. On the date of issuance of the Bonds, the District will deliver a portion of the proceeds of the Bonds which are sufficient to pay all outstanding amounts under the North Line State Loan to the Trustee. The Trustee will deliver such moneys to the SWRCB to pay all outstanding amounts under the North Line State Loan on the date of issuance of the Bonds at a prepayment price equal to the outstanding principal amount thereof, plus accrued interest with respect thereto, without premium.

Recycle Phase I State Loan

The District has entered into Installment Sale Agreement No. 12-821-550 (Project No. C-06-5006-110), dated June 20, 2013 (as amended on November 21, 2013, the "**Recycle Phase I State Loan**"), with the SWRCB to finance the costs of certain capital improvements to the Recycled Water System. The Recycle Phase I State Loan is currently outstanding in the principal amount of approximately \$18,555,914. On the date of issuance of the Bonds, the District will deliver a portion of the proceeds of the Bonds which are sufficient to pay all outstanding amounts under the Recycle Phase I State Loan to the Trustee. The Trustee will deliver such moneys to the SWRCB to pay all outstanding amounts under the Recycle Phase I State Loan on the date

of issuance of the Bonds at a prepayment price equal to the outstanding principal amount thereof, plus accrued interest with respect thereto, without premium.

Recycle Phase II State Loan

The District has entered into Construction Installment Sale Agreement and Grant No. D16-01019 (Project No. C-06-8164-110), dated March 16, 2017 (the “**Recycle Phase II State Loan**”), with the SWRCB to finance the costs of certain capital improvements to the Recycled Water System. The Recycle Phase II State Loan is currently outstanding in the principal amount of approximately \$3,035,582. On the date of issuance of the Bonds, the District will deliver a portion of the proceeds of the Bonds which are sufficient to pay all outstanding amounts under the Recycle Phase II State Loan to the Trustee. The Trustee will deliver such moneys to the SWRCB to pay all outstanding amounts under the Recycle Phase II State Loan on the date of issuance of the Bonds at a prepayment price equal to the outstanding principal amount thereof, plus accrued interest with respect thereto, without premium.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds:

Sources⁽¹⁾

Principal Amount of Bonds	\$
Plus/Less Net Original Issue Premium/Discount	
Total Sources	\$

Uses⁽¹⁾

Prepayment of North Line State Loan ⁽²⁾	\$
Prepayment of Recycle Phase I State Loan ⁽²⁾	
Prepayment of Recycle Phase II State Loan ⁽²⁾	
Deposit to Acquisition Fund	
Costs of Issuance ⁽³⁾	
Total Uses	\$

(1) Amounts rounded to the nearest dollar. Totals may not add due to rounding.

(2) Estimated. Exact amount to be determined by the SWRCB. Includes amounts deposited in funds and accounts established in connection with this obligation. May include additional moneys deposited from District reserves if necessary to prepay such obligation.

(3) Includes certain legal, municipal advisory, financing, rating agency and Trustee fees, Underwriter’s discount and printing costs.

THE BONDS

General Provisions

The Bonds will bear interest from and be dated the date of initial issuance, and will be payable upon maturity on the dates set forth on the inside front cover page hereof. Interest on the Bonds will be payable on December 1, 2022 and each June 1 and December 1 thereafter. Interest will be calculated at the rates set forth on the inside front cover page hereof on the basis of a year of 360 days comprised of twelve 30-day months.

The Bonds will be delivered only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in

book-entry form only in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book-Entry Only System” and Appendix D.

In the event that the book-entry only system that is described below is discontinued, the principal of and interest on any Bond will be payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the Office of the Trustee in Los Angeles, California. Such principal and interest will be payable in lawful money of the United States of America.

Book-Entry Only System

One fully-registered Bond will be issued for each maturity of the Bonds in the principal amount of the Bonds of such maturity. Each such Bond will be registered in the name of Cede & Co. and will be deposited with DTC. As long as the ownership of the Bonds is registered in the name of Cede & Co., the term “**Owner**” as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the Bonds (the “**Beneficial Owners**”).

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

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis. See Appendix D for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system that is described above is discontinued, the Bonds will be printed and delivered as provided in the Indenture. Thereafter, any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee is not required to register the transfer of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

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

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Internal Revenue Code of 1986, as amended (the “**Code**”). The Trustee shall conclusively rely on the information provided to it and has no responsibility to verify or ensure the accuracy of such information.

Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee is not required to exchange any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption. The Trustee will require the Bond Owner requesting such exchange to pay any tax or other

governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee will cancel and destroy the Bonds that it has received.

Redemption

Optional Redemption. The Bonds with stated maturities on or after June 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on ____ 1, 20__ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

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

<i>Redemption Date (June 1)</i>	<i>Principal Amount</i>
20__	\$
20__	
20__*	

* Maturity.

If some but not all of the Bonds maturing on June 1, 20__ are redeemed as described under the subcaption “—Optional Redemption,” the principal amount of the applicable Bonds to be redeemed pursuant to the Indenture on any subsequent June 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of the applicable Bonds redeemed.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same series, interest rate and maturity.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds for redemption as a whole or in part on any date as directed by the Authority and by lot within each maturity in integral multiples of \$5,000 in accordance with the Indenture. The Trustee will promptly notify the Authority in writing of the numbers of the Bonds or portions thereof so selected for redemption.

Notice of Redemption

Notice of redemption will be mailed by first class mail not less than 20 days nor more than 60 days before any Redemption Date, to the respective Owners of any Bonds that are designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services. Each notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, and will designate the maturities, CUSIP numbers, if any, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds or

parts thereof that are designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with, interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any Bond. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

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

Effect of Redemption

Notice of redemption having been duly given as described above under the caption “—Notice of Redemption,” and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of the Bonds to be redeemed on their Redemption Dates, pay such Bonds at the Redemption Price. All Bonds redeemed pursuant to the provisions of the Indenture will be canceled upon surrender thereof.

DEBT SERVICE SCHEDULE

Set forth below is a schedule of debt service on the Bonds, which equals the Series 2022 Installment Payments for each annual period ending on June 30 in the years indicated. The below table assumes that there are no optional redemptions of the Bonds.

<i>Period Ending June 30</i>	<i>Debt Service on 2016 ISA</i>	<i>Series 2022 Installment Payments</i>			<i>Total Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
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					
2050					
2051					
2052					
TOTAL	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: Underwriter.

SECURITY FOR THE BONDS

General

Each Bond is a special limited obligation of the Authority payable solely from Authority Revenues, which consist of Series 2022 Installment Payments to be made by the District under the Installment Purchase Agreement and certain other funds and accounts established pursuant to the Indenture. NEITHER THE FULL

FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The Authority has assigned substantially all of its right, title and interest in the Installment Purchase Agreement to the Trustee pursuant to the Indenture, for the benefit of the Owners of the Bonds, including its right to receive Series 2022 Installment Payments and its rights as may be necessary to enforce payment of the Series 2022 Installment Payments when due.

Series 2022 Installment Payments Payable From Net Revenues

All of the Authority Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge constitutes a lien on and security interest in such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act, and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice hereof.

The obligation of the District to make the Series 2022 Installment Payments is payable solely from Net Revenues of the System, which consist of Revenues of the System remaining after the payment of Operation and Maintenance Costs of the System. All Revenues (as such term is defined below) of the System, other amounts that are on deposit in the Revenue Fund and any other amounts (including proceeds of the sale of the Bonds) which are held in any fund or account that is established pursuant to the Installment Purchase Agreement (including the Rate Stabilization Fund) have been irrevocably pledged to the payment of the Series 2022 Installment Payments as provided in the Installment Purchase Agreement.

The Revenues will not be used for any other purpose while any of the Series 2022 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement, including but not limited to the payment of Operation and Maintenance Costs of the System. Such pledge, together with the pledge created by all other Bonds and Contracts (as such terms are defined in Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—Definitions" and referred to in the forepart of this Official Statement as "**Parity Bonds and Contracts**" or "**Parity Bonds or Contracts**," as applicable), constitutes a first lien on Revenues and, subject to application of Revenues and all amounts on deposit in the Revenue Fund as permitted in the Installment Purchase Agreement, the Revenue Fund, the Rate Stabilization Fund and other funds and accounts created thereunder for the payment of the Series 2022 Installment Payments and all other Parity Bonds and Contracts in accordance with the terms thereof and of the Indenture.

The term "**Revenues**" means all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the System, including, without limiting the generality of the foregoing: (1) all in lieu charges (including investment earnings thereon) collected by or on behalf of the District; (2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water and recycled water and the collection, treatment and disposal of wastewater or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the System; (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including District reserves; and (4) deposits to the Revenue Fund from amounts on deposit in the Rate Stabilization Fund

in accordance with the Installment Purchase Agreement; but excluding in all cases: (i) any moneys transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with the Installment Purchase Agreement; (ii) all amounts reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program), to the extent that such amounts have been or will be deducted from the calculation of Debt Service; (iii) customers' deposits or any other deposits or advances that are subject to refund until such deposits or advances have become the property of the District; and (iv) proceeds of taxes or benefit assessments restricted by law to be used by the District to pay amounts due on bonds or other obligations later incurred.

The term "**Operation and Maintenance Costs**" means: (1) costs spent or incurred for maintenance and operation of the System calculated in accordance with generally accepted accounting principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses that are necessary to maintain and preserve the System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the System, including but not limited to salaries and wages of employees, payments for post-employment and/or retirement benefits, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the Bonds or of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Parity Bonds or of such Parity Bonds; and (2) all payments under any contract for the purchase of water; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Notwithstanding anything contained in the Installment Purchase Agreement, the District is not required to advance any moneys derived from any source of income other than the Revenues, the Revenue Fund, the Rate Stabilization Fund and the other funds provided in the Installment Purchase Agreement for the payment of amounts due under the Installment Purchase Agreement or for the performance of any agreements or covenants that are required to be performed by it contained therein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

THE OBLIGATION OF THE DISTRICT TO MAKE SERIES 2022 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2022 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Rate Covenant

The District will, to the fullest extent permitted by law, fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Service which are reasonably expected, at the commencement of each Fiscal Year, to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 110% of the Debt Service in such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

So long as the District has complied with its obligations set forth in the preceding paragraph, the failure of Net Revenues to meet the thresholds set forth in the preceding paragraph will not constitute a default or an Event of Default under the Installment Purchase Agreement or the Indenture.

No Reserve Fund

No debt service reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

Additional Parity Bonds and Contracts

The District may at any time issue any Parity Bonds or execute any Contract, as the case may be, in accordance herewith; provided that:

(a) So long as the 2016 ISA is outstanding, the District has complied with Section 5.3 of the 2016 ISA.

(b) The Net Revenues for either the most recent audited Fiscal Year or a consecutive 12 month period within the 18 months preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Parity Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, produce a sum equal to at least 110% of the Debt Service for such Fiscal Year or consecutive 12 month period.

(c) The Net Revenues for either the most recent audited Fiscal Year or a consecutive 12 month period within the 18 months preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Parity Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or consecutive 12 month period to increases or decreases in rates and charges for the Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, produce a sum equal to at least 110% of: (i) the Debt Service for such Fiscal Year or consecutive 12 month period; plus (ii) the Debt Service which would have accrued on any then-outstanding Parity Bonds which were issued or any then-outstanding Contracts which were executed since the end of such audited Fiscal Year or consecutive 12 month period, assuming that such Parity Bonds or Contracts had been issued or executed, as applicable, on the first day of such audited Fiscal Year or consecutive 12 month period; plus (iii) the Debt Service which would have accrued on the proposed additional Parity Bonds or the proposed additional Contract, assuming that such proposed additional Parity Bonds or proposed additional Contract had been issued or executed, as applicable, on the first day of such audited Fiscal Year or consecutive 12 month period.

(d) Notwithstanding the foregoing, in the event that either: (i) the District complies with Section 5.3 of the 2016 ISA; or (i) the 2016 ISA is no longer outstanding, Parity Bonds issued or Contracts executed to refund outstanding Parity Bonds or to prepay outstanding Contracts may be delivered without satisfying the conditions set forth in clauses (b) and (c) above if total Debt Service after such Parity Bonds are issued or Contracts executed is not greater than the total Debt Service which would have been payable prior to the issuance of such Parity Bonds or execution of such Contracts.

Rate Stabilization Fund

There has been previously established with the District a fund called the “rate stabilization reserve” and referred to herein as the “Rate Stabilization Fund.” The District has agreed and covenanted to maintain, so

long as any Bonds remain outstanding, the Rate Stabilization Fund. As discussed under the caption “THE DISTRICT—Governance and Management—Management Policies—Cash Reserve Policy,” there is at least \$2,200,000 on deposit in the Rate Stabilization Fund as of the date of the initial issuance of the Bonds. The District may withdraw and deposit amounts therein from time to time in its sole discretion.

Amounts in the Rate Stabilization Fund will be disbursed, allocated and applied by the District solely to the uses and purposes described in the Installment Purchase Agreement, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

The Rate Stabilization Fund and all amounts on deposit therein have been irrevocably pledged to the payment of the Parity Bonds and Contracts as provided in the Installment Purchase Agreement; provided that amounts on deposit in the Rate Stabilization Fund may be apportioned for such purposes as are expressly permitted therein. The foregoing pledge constitutes a first lien on amounts on deposit in the Rate Stabilization Fund for the payment of Contracts and Parity Bonds in accordance with the terms of the Installment Purchase Agreement.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund from time to time and transfer such amounts to the Revenue Fund for application in accordance with the Installment Purchase Agreement. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section during or within 270 days after the end of a Fiscal Year may be taken into account as Revenues for purposes of the calculations that are described under the captions “—Rate Covenant” and “—Additional Parity Bonds and Contracts” in such Fiscal Year to the extent provided in the Installment Purchase Agreement.

THE DISTRICT

General

The District is located in south Orange County (the “**County**”), approximately 50 miles southeast of downtown Los Angeles. The current population within the District’s 8.48 square mile service area is estimated to be approximately 48,000 residents. The District is a California Water District established under Division 13 of the State Water Code. Land use in the District’s service area is primarily residential, with areas of commercial and institutional/governmental development. See the caption “—Land Use and Service Area.”

The District provides water service, wastewater service and recycled water service to residential, commercial, governmental, institutional and other customers. The District’s Recycled Water System is accounted for as part of the Wastewater System. As of June 30, 2021, the District had approximately:

- 8,287 residential (including 5,670 single family residential and 2,617 multi-family residential), 707 commercial and 715 governmental, institutional and other Water System accounts;
- 8,287 residential, 707 commercial and 23 governmental, institutional and other Wastewater System accounts; and
- 274 Recycled Water System accounts.

The District imports treated and untreated water from the Municipal Water District of Orange County (“**MWDOC**”), a member agency of The Metropolitan Water District of Southern California (“**MWD**”). See the caption “THE WATER SYSTEM—Water Supply” for a detailed description of the District’s water sources. Untreated water purchases from MWDOC and local surface water from Irvine Lake (when made available to the District) are treated at the Baker Water Treatment Plant (the “**Baker WTP**”), in which the District has capacity rights of 3.2 million gallons per day (“**mgd**”). See the caption “THE WATER SYSTEM—Baker Water Treatment Plant.”

District customers generate an average of approximately 3.6 mgd of wastewater. The Wastewater System includes sewer pipelines, lift stations and the District-owned Water Recycling Plant (the “WRP”), which has a maximum secondary treatment capacity of approximately 6.0 mgd. The WRP also has a tertiary treatment capacity of approximately 3.7 mgd. Wastewater which is treated to tertiary levels is suitable for delivery to recycled water customers. Treated effluent that is not recycled is disposed of through the Aliso Creek Ocean Outfall. See the caption “THE WASTEWATER SYSTEM.”

In Fiscal Year 2021, approximately 39% of the District’s wastewater flow (or 1.5 mgd) was treated to tertiary levels and delivered to recycled water customers, primarily for landscape irrigation for golf courses, homeowners associations, schools, parks and green belts. Recycled water deliveries offset higher cost purchases of imported potable water and represent an additional reliable source of local water supply. See the caption “THE WASTEWATER SYSTEM—Recycled Water System.”

Land Use and Service Area

The District is located in southern Orange County. Its 8.48 square mile (5,430 acre) service area includes all of the City of Laguna Woods and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest and Mission Viejo and ranges in elevation from 230 to 904 feet above sea level. Interstate 5 bisects the District’s service area and provides easy access to Los Angeles to the north and San Diego to the south. The District is predominantly developed with single family and multi-family residential uses, although there are also areas of commercial and institutional/governmental development. Approximately 17% of the land within the District is dedicated to parks and open space. The District is largely built out and the population within the District’s service area is expected to increase nominally from approximately 48,000 in 2020 to approximately 50,649 in 2045.

The District’s Water System and Wastewater System include all of the area within the District’s geographic boundaries.

Seismic Considerations

The District is located in a seismically active region. Significant faults in or near the District’s service area include the Newport-Inglewood, Elsinore, Chino and Whittier Faults. There is potential for destructive ground shaking during the occurrence of a major seismic event and land along fault lines may be subject to liquefaction. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District, including the Water System and the Wastewater System. The District is a member of the Water Emergency Response of Orange County (“WEROC”). One component of the 2022 Project is the construction of a WEROC Emergency Operations Center on District-owned property. See the caption “THE 2022 PROJECT.” The District also has its own emergency operations center located at its primary campus.

The District maintains limited earthquake insurance coverage, as discussed under the caption “—District Insurance.” Newer Water System and Wastewater System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The District has also undertaken a vulnerability assessment of critical Water System and Wastewater System facilities. The vulnerability assessment ranks the District’s infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to assets and succession plans for critical staff. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. The Water System and the Wastewater System have never sustained major damage to their facilities or experienced extended incidences of service interruptions as a result of seismic disturbances. See the caption “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.”

Governance and Management

General. The District is governed by a five-person Board of Directors (the “**Board**”) elected at large for staggered four-year terms. The Board selects a President and a Vice President from among its members, each of whom serves in such capacity for a one-year term. Current Board members are listed below:

El Toro Water District Board of Directors

<i>Board Member</i>	<i>Occupation</i>	<i>Expiration of Term</i>
Kathryn Freshley, President	Retired Engineer/Management Consultant	2022
Kay Havens, Vice President	Retired Sustainable Landscape Consultant	2024
Mike Gaskins	Retired Human Resources Director/Educator	2022
Mark Monin	Financing Advisor	2024
Jose Vergara	Retired Civil Engineer	2022

Day-to-day management of the District is delegated to Dennis P. Cafferty, General Manager since 2019. Mr. Cafferty has been with the District since 1989, previously serving as Assistant General Manager/District Engineer and Director of Operations and Engineering, among other positions. In his role as General Manager, Mr. Cafferty is responsible for implementing policies adopted by the Board and managing day-to-day operations associated with all aspects of water, wastewater and recycled water services. Mr. Cafferty has a Bachelor’s Degree in Engineering from the University of Redlands and a Master’s in Business Administration Degree from the University of California, Irvine. He is a registered professional civil engineer and holds a D-5 Water Distribution Certification and a T-2 Treatment Certification from the State Water Resources Control Board.

Jason Hayden serves as the Chief Financial Officer of the District. Mr. Hayden has been with the District since October 2020. Prior to coming to the District, Mr. Hayden served as the Director of Financial Services and Treasurer for the Village of Barrington, Illinois from June 2009 to May 2020. Mr. Hayden has a Bachelor’s Degree in Political Science from Illinois State University, a Master of Public Administration degree from Northern Illinois University and a Masters in Accounting and Financial Management Degree from Keller Graduate School of Management.

Management Policies. The District has adopted several policies which are designed to ensure the prudent and effective management of its operations, including a Debt Management Policy, an Investment Policy and a Cash Reserve Policy. Further information about these policies is set forth below.

Debt Management Policy. The District has adopted a Debt Management Policy in accordance with California Government Code Section 8855 to establish guidelines and parameters for the effective governance, management and administration of debt issued by the District and its related entities and to ensure compliance with legislation, statutes and laws that place regulations on local agency debt. The following elements have been incorporated into this policy:

- The purposes for which debt may be incurred;
- The types of debt that may be issued;
- The relationship of the debt to, and integration with, the District’s capital improvement program or budget;
- Policy goals related to the District’s planning goals and objectives; and
- Debt management practices, including the investment of proceeds and post-issuance compliance.

Investment Policy. The District invests its funds in accordance with the District's investment policy (the "**Investment Policy**"), which was most recently reviewed and revised by the Board in January 2022. The Investment Policy: (a) describes the policies and procedures to be utilized in the District's investment management system; (b) establishes guidelines for the prudent investment of the District's funds, and (c) lists and describes suitable investments. The goals of the District's investment policy and investment management function are compliance with law, enhancement of the economic status of the District and protection of the District's funds by limiting credit and market risks.

In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the Chief Financial Officer, who serves as the District Treasurer. Eligible investments are generally limited to the Local Agency Investment Fund which is operated by the California State Treasurer (limited to \$30 million), the California Asset Management Program (limited to 60% of the portfolio), State and local agency bonds (limited to 5-year maximum maturities and 10% of the portfolio), money market mutual funds (limited to 5-year maximum maturities and 10% of the portfolio), medium-term corporate notes (limited to 5-year maximum maturities and 30% of the portfolio), United States Treasury bills, notes and bonds (limited to 5-year maximum maturities), obligations issued by United States Government agencies (limited to 5-year maximum maturities), negotiable certificates of deposit (limited to 5-year maximum maturities and 30% of the portfolio), banker's acceptances (limited to 180-day maximum maturities and 15% of the portfolio) and commercial paper (limited to 270-day maximum maturities and 25% of the portfolio). Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

Staff provides a monthly report to the Board showing the type of investment, date of maturity, amount invested, current market value, rate of interest and other such information as may be requested by the Board. See the caption "FINANCIAL INFORMATION—Available Cash" for current information with respect to the District investments.

Cash Reserve Policy. The Board has adopted a Cash Reserve Policy which governs the three categories of reserves held by the District: (i) legally restricted reserves; (ii) Board-mandated reserves; and (iii) Board-restricted reserves.

Legally restricted reserves include funds that are required to be set aside as reserves for District debt obligations and capital facility fees collected from developers, which must be used for designated purposes.

Board-mandated reserves are intended to fund basic District needs during times of revenue shortfalls, unplanned expenses or the occurrence of unplanned events, such as hydrological conditions or State restrictions that cause water sales to be below budgeted amounts. Such reserves include:

- An operating reserve in the minimum amount of \$1,300,000, or approximately 5%-10% of annual operating and maintenance costs, excluding depreciation.
- A rate stabilization reserve in the minimum amount of \$2,200,000, or approximately 7.5%-15% of annual operating and maintenance costs, excluding depreciation.
- A monthly cash flow (working capital) reserve in the minimum amount of \$2,000,000, or approximately 7.5%-10% of annual operating and maintenance costs, excluding depreciation.
- A capital replacements and refurbishment reserve in the minimum amount of \$3,000,000, or approximately 100% of average annual capital expenditures.

The District currently maintains all Board-mandated reserves at levels equal to the minimum requirements that are described above and has also accumulated additional reserves in excess of the Board mandated reserves.

Board-restricted reserves include a conservation/water supply reserve, which is intended to provide funds for conservation and the development of additional potable and recycled water supplies, and a Baker WTP funding reserve, which is intended to cover the District's repayment obligations with respect to debt issuances which funded the construction of the Baker WTP. See the caption "THE WATER SYSTEM—Water Supply—Imported Water."

Employees

As of June 30, 2021, the District had 61 authorized full-time equivalent employees, of which 20 are authorized for water operations, 17 are authorized for wastewater operations, 19 worked in general and administrative functions and 5 worked in engineering/automotive functions. District employees are not represented by any bargaining units, and the District has never experienced a strike, slowdown or work stoppage.

Budget Process

The District prepares and adopts a balanced budget for each Fiscal Year which includes proposed expenditures and the means of financing such expenditures. The District's budget cycle begins in or about January of each year with an inter-departmental meeting to discuss guidelines, assumptions and priorities for the next Fiscal Year. Departments develop and submit their budget requests for the next Fiscal Year in February of each year and meet with the General Manager to discuss such requests. In or about March of each year, the budget is drafted, incorporating projections into the forecast, followed by the compilation of the full budget and continued review. In or about April of each year, Board convenes a budget workshop at which the budget is reviewed, with the budget typically legally enacted via Board action.

The General Manager is authorized to transfer budgeted amounts between line items within a department or activity provided that the total appropriation does not exceed the budgeted amount. Most other budget amendments require authorization by the Board. The General Manager is responsible for controlling expenditures within budgeted appropriations.

The Board adopted the budget for Fiscal Year 2022 on April 22, 2021.

District Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority ("ACWA/JPIA"), a joint powers authority which arranges and administers programs for the pooling of self-insured losses and purchases excess insurance from commercial insurers. Through ACWA/JPIA, the District maintains the following coverages:

- Liability (general, automobile, public officials and employee errors and omissions: \$5,000,000 of pooled first dollar coverage, with additional coverage of \$55 million per occurrence, in addition to limits of \$5,000,000 for terrorism, \$30,000,000 for subsidence, \$30,000,000 for lead and \$35,000,000 for mold);
- Workers Compensation (statutory limits, including employer's liability of \$2,000,000 of pooled coverage and a \$4,000,000 aggregate limit);

- Property (boiler and machinery: \$100,000,000 pooled limit, with a \$25,000-\$50,000 deductible for scheduled assets; earthquake: \$2,500,000, with a deductible of 5% of total insurable value (currently approximately \$51,000,000); and flood: \$25,000,000, with a \$100,000 deductible);
- Underground Storage Tank Pollution Liability (\$3,000,000 limit per incident, with a \$10,000 deductible);
- Dam Failure (\$9,000,000 per occurrence for the El Toro Water District Dam at Reservoir 6 and \$4,000,000 per occurrence for the Rossmoor Dam at the WRP holding pond); and
- Fiduciary Liability (\$3,000,000, with a \$5,000 deductible).

Certain portions of the Water System and the Wastewater System, including water pipelines and wastewater pipelines that are not in the vicinity of the WRP, are not covered by the District's property insurance. No assurance can be given as to the adequacy of the insurance maintained now or in the future by the District to fund necessary repairs or replacement of any portion of the Water System or the Wastewater System, and the District does not have any obligation under the Installment Purchase Agreement to maintain earthquake coverage or to maintain other coverages in the current coverage amounts. Significant damage to the Water System or the Wastewater System could affect the District's ability to generate sufficient Net Revenues to pay the Series 2022 Installment Payments. See the caption "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

The District has not settled any claims that exceeded its insurance coverage in the past three years.

See Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE DISTRICT—Insurance" for a description of insurance coverages that are required to be maintained while the Bonds are outstanding.

1% *Ad Valorem* Property Tax Revenues

General. The County levies a 1% *ad valorem* property tax on behalf of all taxing agencies in the County, including the District. The taxes that are collected are allocated to taxing agencies within the County, including the District, on the basis of a formula established by State law in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situated" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

1% *ad valorem* property tax revenues constitute Revenues which are pledged to the repayment of the Bonds.

Assessed Valuation History. The assessed valuation of the property in the County is established by the County Assessor, except for public utility property, which is assessed by the California Department of Tax and Finance Administration. Generally, property can be reappraised to market value only upon a change in ownership or completion of new construction. The assessed value of property that has not incurred a change of ownership or new construction must be adjusted annually to reflect inflation at a rate not to exceed 2% per year based on the State consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, the assessed value must be reduced temporarily to reflect market value.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year. The value review may result in a reduction in value. Taxpayers in the County also may appeal the determination of the County Assessor with respect to the assessed value of their property.

The table below sets forth the secured and unsecured assessed valuations for property in the District for the last five Fiscal Years. The information in the table below has been provided by the County. The District has not independently verified the information in the table below and does not guarantee its accuracy.

**El Toro Water District
Assessed Valuation History**

<i>Fiscal Year</i>	<i>Secured Value</i>	<i>Unsecured Value</i>	<i>Less Exemptions</i>	<i>Total Taxable Assessed Value</i>	<i>% Increase</i>
2018	\$4,553,014,878	\$ 8,283,292	\$-	\$4,561,289,170	N/A%
2019	4,926,321,718	7,882,994	-	4,934,204,712	8.18
2020	5,224,026,571	22,031,351	-	5,246,057,922	6.32
2021	5,571,523,470	137,247,860	-	5,708,771,330	8.82
2022	5,843,815,247	8,230,423	-	5,852,045,670	2.51

Sources: Orange County Assessor's Office; Orange County Auditor-Controller.

Property Tax Collections and Delinquencies. Property in the State which is subject to *ad valorem* taxes is classified as "secured" or "unsecured."

The secured classification includes property on which any property tax levied by a county becomes a lien on that property. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State law, on the secured property, regardless of the time of the creation of other liens.

The exclusive means of forcing the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. In accordance with the State Revenue and Taxation Code, the County Treasurer-Tax Collector collects secured tax levies for each Fiscal Year in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer-Tax Collector.

A tax levied on unsecured property may become a lien on certain other property owned by the taxpayer. Property taxes on the unsecured roll are due as of a January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of 1.5% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 ("**Order N-61-20**"). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code were suspended until May 6, 2021 to the extent that they required a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured

property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest will be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto. See the caption “—COVID-19 Outbreak.” The District did not receive material amounts of property tax payments for Fiscal Years 2020 or 2021 later than usual as a result of Order N-61-20.

State law also provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year.

An initiative measure (the “**Split Roll Initiative**”) to amend Article XIII A of the State Constitution qualified for the State’s November 2020 ballot. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Article XIII A.” Although it was not adopted by State voters, the Split Roll Initiative would have based property taxes for commercial and industrial properties on periodic analyses of market values beginning in tax year 2020-21. Such market values would have been reassessed by the applicable county assessor’s office at least once every three years. The Split Roll Initiative included exceptions for businesses with a total market value of less than \$2 million (adjusted for inflation), which would have continued to be subject to property taxes based on purchase price, and exempted from property tax assessments up to \$500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. Although the Split Roll Initiative was not adopted, there can be no assurance that a similar initiative will not be brought before voters in the future. The District is unable to predict how the adoption of such a future initiative would affect the receipt of 1% *ad valorem* property tax revenues.

For a number of years, the State Legislature shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (“**ERAF**”). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2005 State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the District, in Fiscal Years 2005 and 2006.

On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% *ad valorem* property tax revenues from certain local agencies, including the District.

On November 2, 2010, State voters approved Proposition 22, which: (i) prohibits the State from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State’s authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use vehicle license fee revenues to reimburse local governments for state-mandated costs.

Despite the passage of Proposition 22, there can be no assurance that 1% *ad valorem* property tax revenues which the District currently expects to receive will not be temporarily shifted from the District or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% *ad valorem* property tax revenues by the District.

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. Under the Teeter Plan, the County apportions secured property assessments on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the assessment-levying or assessment-collecting agency.

The Teeter Plan for the County is applicable to all assessment levies for which the County acts as the assessment-levying or assessment-collecting agency, or for which the treasury of the County is the legal depository of assessment collections.

The 1% *ad valorem* property tax revenues to be received by the District are subject to the Teeter Plan. The District will receive 100% of such revenues irrespective of actual delinquencies in the collection of the assessment by the County so long as the Teeter Plan remains in effect.

The Teeter Plan is to remain in effect for the County unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event that the Board of Supervisors of the County discontinues the Teeter Plan for the County, only those secured property assessments that are actually collected would be allocated to political subdivisions (including the District) for which the County acts as the assessment-levying or assessment-collecting agency.

Outstanding Parity Obligations

Upon the refunding of the obligations that are described under the caption “REFUNDING PLAN,” the District’s sole parity obligation will be the 2016 ISA. The District will have no obligations that are payable from Revenues on a senior or subordinate basis to the Bonds.

The District entered into the 2016 ISA to finance certain capital improvements to the Water System and Wastewater System. The 2016 ISA, which bears interest at the rate of 3.10% per annum, is currently outstanding in the aggregate principal amount of \$8,529,750 and has a final maturity on July 1, 2036. The District is obligated to pay principal of and interest on the 2016 ISA from Net Revenues of the Water System and Wastewater System on a parity with the obligation of the District to pay Series 2022 Installment Payments.

The District is permitted to incur additional obligations that are payable from Net Revenues on a parity with the Series 2022 Installment Payments in the future upon satisfaction of the conditions that are described under the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

Financial Statements

A copy of the most recent audited financial statements of the District prepared by CliftonLarsenAllen LLP, Irvine, California (the “**Auditor**”) is set forth in Appendix A. The Auditor’s letter dated November 30, 2021 is located at the beginning of the Financial Section therein.

The summary operating results that are contained under the caption “FINANCIAL INFORMATION—Historical Operating Results and Debt Service Coverage” are derived from these financial statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments), and are qualified in their entirety by reference to such statements, including the notes thereto.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities (“**GAAP**”). Generally, the District recognizes revenues and expenses on the full accrual basis of accounting, meaning that revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred,

regardless of when the related cash flows take place. However, in certain cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Note 1.D to the financial statements that are set forth in Appendix A. Except as otherwise expressly noted herein, all financial information that has been derived from the District's audited financial statements reflects the application of GAAP.

For financial reporting purposes, the District operates as a single enterprise fund with a set of self-balancing accounts that is accounted for as a proprietary fund type using the economic resources measurement focus. In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

COVID-19 Outbreak

The spread of the novel strains of coronavirus which are collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“COVID-19”), and local, State and federal actions in response to COVID-19, have impacted the District's operations and finances. In response to the increasing number of COVID-19 infections and fatalities, health officials and experts recommended, and some governments mandated, a variety of responses ranging from travel bans and social distancing practices to complete shutdowns of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and, on March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State temporarily closed some or all school campuses (including schools within the District) in response to local and State directives or guidance.

On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. Certain aspects of the shelter-in-place directives were extended indefinitely until indicators for modifying the stay-at-home order were met. The County also declared a state of emergency in response to the COVID-19 outbreak. On May 4, 2020, the Governor issued an executive order informing local health jurisdictions and industry sectors that they could gradually re-open under new modifications and guidance provided by the State. A phased re-opening of various sectors was underway beginning in mid-2020 in accordance with a four-stage re-opening plan that ended with a full reopening of the economy on June 15, 2021. Although pursuant to the re-opening plan certain restrictions on activities were eased, restrictions were also re-imposed in various jurisdictions (including Los Angeles County to the north of the District) as local conditions warranted, and such restrictions may be renewed as the pandemic continues.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “CARES Act”) which provides, among other measures, \$150 billion in financial aid to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for reimbursement of certain costs which were expended to address the impacts of the pandemic. The District does not expect to receive any funds under the CARES Act.

On December 27, 2020, the President signed the \$900 billion Coronavirus Response and Relief Supplemental Appropriations Act. Although the act did not provide additional financial assistance to state and local governments, it did extend the deadline (to October 2021) for them to use unspent funds that were previously approved under the CARES Act.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the “**ARP Act**”), a \$1.9 trillion economic stimulus package that was designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The ARP Act includes approximately \$350 billion in aid to state and local governments such as the District, consisting of both direct funding from the United States Department of Treasury and program moneys that will flow from other federal agencies. Half of the aid to state and local governments was distributed in spring 2021, with the other half following in 2022. County governments have been allocated a total of approximately \$65.1 billion under the ARP Act and any District funding received under the ARP Act will be allocated through the County. To date, the District has not received any ARP Act funds, but it has applied for reimbursement for delinquent water accounts through the SWRCB’s CWWAPP, as discussed below. Any ARP Act funds received by the District must be used: (i) to assist households, small businesses, nonprofit entities and impacted industries including hospitality, travel and tourism; (ii) to pay a salary premium to essential workers up to \$13 an hour with an annual cap of \$25,000; (iii) to cover for lost revenue in providing services; and (iv) to make investments in water, sewer or broadband infrastructure.

The effects of the COVID-19 outbreak and governmental actions responsive to it have altered the behavior of businesses and people in a manner that has had significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have experienced significant volatility attributed to COVID-19 concerns. The outbreak resulted in increased pressure on State finances as budgetary resources were directed towards containing the pandemic and tax revenues sharply declined in early 2020. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak continue to occur throughout the United States, including the County.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District, cancellations of public events and disruption of the regional and local economy, with corresponding decreases in the District’s revenues, including as a result of reduced water use (particularly among commercial and hotel establishments).

In addition, the Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers (including Water System and Wastewater System customers) through December 31, 2021. Despite the foregoing actions, the District has not accumulated a significant number of uncollectible accounts and has therefore not written off any amounts for nonpayment. The District does not impose late fees and therefore has not incurred any losses from uncollected late fees. See the caption “THE WATER SYSTEM—Water System Collection Procedures.”

The District has made low income assistance programs available to delinquent customers and is participating in the California Water and Wastewater Arrearage Payment Program (the “**CWWAPP**”), a State program that will provide up to \$1 billion to water service providers to cover delinquencies by commercial and residential customers during the period between March 4, 2020 and June 15, 2021. CWWAPP funds will initially be available to cover potable water service charge delinquencies, with delinquencies in wastewater service charges covered to the extent that funds remain after water service charges are covered. The District has submitted an application to cover water service arrearages totaling \$55,000 under the CWWAPP, and expects to apply in early 2022 for approximately \$20,000 in CWWAPP funding to cover wastewater service arrearages.

In response to the COVID-19 outbreak, the District temporarily modified its operations to implement remote work opportunities for employees and provide services online, closed the District’s administrative building to the public and deferred several non-essential capital improvement projects. In order to transition District employees to working from home, the District procured additional hardware, established secure access to District computer systems and remote access to District telephone systems and deployed tele-conferencing applications. With improvements in local case rates, the District has phased in the resumption of normal operations and activities while complying with public health orders and California Occupational Safety and Health Administration COVID-19 Prevention Plan mandates. Large gatherings of District personnel at any

one time were prohibited for much of 2020 and early 2021 per health officer orders. Board meetings occurred via teleconference, and public comment and participation for Board meetings was also conducted via teleconference and electronic means.

The District has not experienced and does not at this time foresee a future negative impact on the execution of District services as a result of the COVID-19 outbreak. The District has worked diligently to provide its employees with personal protective equipment and voluntary access to screening and vaccinations. However, there can be no assurance that absences of employees or District leadership due to COVID-19 will not adversely impact District operations.

The District reports that Fiscal Year 2020 and 2021 Water System and Wastewater System revenues and expenses were not materially affected by the COVID-19 outbreak. The District's customer base is primarily residential and its water rate structure consists of variable and fixed rate components, which partially mitigates the effect of any reduced water usage by non-residential customers. See the captions "THE WATER SYSTEM—Historical Water System Connections," "THE WATER SYSTEM—Water System Rates and Charges," "THE WASTEWATER SYSTEM—Historical Wastewater System Collections" and "THE WASTEWATER SYSTEM—Wastewater System Rates and Charges."

The projected Water System and Wastewater System operating results which are set forth under the caption "FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" include the following assumptions based on the trends that the District has experienced since the beginning of the outbreak: (i) projected water sales for Fiscal Year 2022 are assumed to remain at levels which are approximately equal to water sales in recent years, with incremental revenue increases resulting from increased rates (as the District did not experience material decreases in water sales in 2020 or 2021 compared to prior years); and (ii) Water System and Wastewater System write-offs for Fiscal Year 2022 are projected to total approximately \$40,000 (roughly the same as the District experienced in Fiscal Year 2021) to account for increased delinquencies.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District, the Water System and the Wastewater System is unknown. The District continues to actively monitor Water System and Wastewater System usage, payment delinquencies, revenues and expenditures so that any further impacts of the COVID-19 pandemic can be anticipated. The District does not currently expect that the COVID-19 outbreak will have a material adverse effect on the District's ability to pay the Series 2022 Installment Payments.

THE WATER SYSTEM

General

As of June 30, 2021, the District supplied potable water to approximately 8,287 residential (including 5,670 single family residential and 2,617 multi-family residential), 707 commercial and 715 governmental, institutional and other accounts. All water service connections are metered.

The District imports treated and untreated water from MWDOC, a member agency of MWD. See the caption "—Water Supply" for a detailed description of the District's water sources. Untreated water purchases from MWDOC and local surface water from Irvine Lake (when made available to the District) are treated at the Baker WTP, which is owned and operated by the Irvine Ranch Water District ("IRWD"), and in which the District has capacity rights of 3.2 mgd. See the caption "—Baker Water Treatment Plant." The District does not have any water rights or storage capacity at Irvine Lake but does occasionally receive untreated water from Irvine Lake through the Baker WTP at IRWD's discretion. In Fiscal Year 2021, approximately 2% of the District's water supply was derived from Irvine Lake through the Baker WTP.

The Water System includes approximately 180 miles of water mains, 12 pressure zones, 8 pump stations, 19 pressure reducing stations and 6 storage reservoirs that are owned or by the District or in which the District holds storage rights. The District's collective storage capacity in such reservoirs is approximately 287 million gallons.

The District maintains three interconnections with IRWD, five interconnections with Moulton Niguel Water District ("MNWD"), two interconnections with Santa Margarita Water District ("SMWD") and two interconnections with other agencies. These interconnections serve as an emergency source of supply and collectively enhance water supply reliability for the interconnected agencies.

Baker Water Treatment Plant

The Baker WTP, a water treatment plant which commenced operations in January 2017, is located in the City of Lake Forest just northeast of the District's service area. The Baker WTP treats to drinking water standards approximately 28.1 mgd of untreated imported water purchased from MWD and, on occasion, water taken from Irvine Lake on a non-emergency basis. In addition, in the event of a supply emergency or planned imported water outage, water from Irvine Lake can be supplied to the Baker WTP for treatment to drinking water standards. The Baker WTP utilizes microfiltration and ultraviolet disinfection as the primary treatment processes, with the raw water treated to a standard that exceeds current regulatory requirements. Although the plant is owned and operated by IRWD, approximately 76% of capacity in the Baker WTP is held by other participating water agencies located in southern Orange County, including the District, MNWD, SMWD and Trabuco Canyon Water District. The District holds rights to 3.2 mgd (11.5%) of the Baker WTP's treatment capacity. The District's connection to the output of the Baker WTP is through MNWD infrastructure.

The Baker WTP provides an operational source of supply to the District and other participating agencies and, in the event of a short-term water emergency, provides regional water reliability to the District. The cost of constructing the Baker WTP was approximately \$106 million, which was funded by the District and the other participating water agencies in proportion to their participation in the project. The District financed a portion of its 11.5% share of the costs from the proceeds of the 2016 Installment Sale Agreement that is described under the caption "REFUNDING PLAN."

The District does not expect significant changes in the mix of treated water purchases and raw water purchases from MWD going forward.

Water Quality

General. The District's primary water source is treated imported water which is supplied by MWD through MWDOC. The District also receives a small amount of treated water supplied from the Baker WTP. The MWD water supply is treated to potable water standards by MWD at the Robert B. Diemer Filtration Plant in the City of Yorba Linda (the "**Diemer Plant**") prior to delivery to customers. In addition, raw (untreated) water from MWD is treated at the Baker WTP to standards that exceed current regulatory requirements prior to delivery to the District's water system for sale to customers. See the caption "—Baker Water Treatment Plant."

A small portion of the District's water supply (equivalent to approximately 2% of the District's total supply in Fiscal Year 2021) is derived from local surface water which is stored at Irvine Lake. Such water, which is made available to the District at IRWD's discretion, is treated at the Baker WTP to standards that exceed current regulatory requirements prior to delivery to customers. See the caption "—Water Supply—Local Water."

The District's recycled water supplies, which are produced from wastewater that is treated to tertiary levels at the WRP, are suitable for landscape irrigation under Title 22 of the California Code of Regulations. See the caption "THE WASTEWATER SYSTEM—Recycled Water System."

PFAS. In 2019, the SWRCB’s Division of Drinking Water (the “**Division**”) lowered the Notification Levels (the “**NLs**”) for Perfluorooctanoic acid (“**PFOA**”) and Perfluorooctanesulfonic acid (“**PFOS**”) to 5.1 and 6.5 parts per trillion (“**PPT**”), respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment.

In 2020, the Division lowered the Response Levels (the “**RLs**”) for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the Division recommends that water systems remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds referred to as per- and polyfluoroalkyl substances (“**PFAS**”). PFAS are water and lipid resistant substances that were previously used in a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by wastewater treatment plant effluent or active or former military installations. The District understands that recent technological advances have enabled water agencies to detect PFAS compounds at very low concentrations.

The District does not operate any groundwater wells and is not required to test its water supplies for PFAS. However, the District’s goal is to ensure that all drinking water which is served to customers meets or exceeds all applicable State and federal water quality standards, including those related to PFAS. Imported water (both treated and untreated) that MWDOC purchases from MWD has been tested for PFAS by MWD for many years. MWD has not detected PFAS in such supplies. Similarly, local surface water that is stored at Irvine Lake has not been found to contain PFAS.

The District does not anticipate that implementation of the lowered PFAS RLs by the Division will have a material adverse effect on the operation of the Water System or the costs thereof. The projected operating results which are set forth under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” do not assume significant increases in water treatment or other Water System operating costs to meet State regulations relating to PFAS.

Water Supply

The District purchases treated and untreated water from MWDOC, a member agency of MWD, as discussed under the subcaption “—Imported Water” below. In addition, a small portion of the District’s water supply (equivalent to approximately 2% of the District’s total supply in Fiscal Year 2021) is derived from local surface water which is stored at Irvine Lake. Such water, which is made available to the District at IRWD’s discretion, is treated at the Baker WTP to standards that exceed current regulatory requirements prior to delivery to customers. See the subcaption “—Local Water.”

See the caption “THE WASTEWATER SYSTEM—Recycled Water System” for a description of the District’s recycled water supplies. The District’s Recycled Water System is accounted for as part of the Wastewater System.

See the captions “—Historical Water System Supply” and “—Projected Water System Supply” for historical and projected information with respect to the District’s sources of potable and recycled water supplies.

Imported Water. Approximately 46% (3,460 acre feet) of the District’s potable water supply in Fiscal Year 2021 consisted of imported treated water that the District purchased from MWD through MWDOC, and approximately 38% (2,860 acre feet) of the District’s potable water supply in Fiscal Year 2021 consisted of imported untreated water that the District purchased from MWD through MWDOC. See the subcaption “—

Other Water Purchases” below for a discussion of the source of the remainder of the District’s water supply in Fiscal Year 2021.

The District’s imported water supplies include: (i) water that is treated by MWD at the Diemer Plant prior to delivery to the District; and (ii) untreated water that is delivered to the Baker WTP and treated to potable water standards prior to delivery to District customers. See the caption “—Baker Water Treatment Plant” for a description of the Baker WTP. The Diemer Plant is a 520 mgd water treatment plant which is located in the northeastern area of the County in the City of Yorba Linda, approximately 25 miles northeast of the District’s service area.

The District takes delivery of MWD supplies through the Allen-McColloch Pipeline (the “AMP”) (in which the District holds rights to approximately 26.3 cubic feet per second of capacity) and the Joint Regional Water Supply System, a branch-off from the East Orange County Feeder No. 2 (in which the District holds rights to approximately 2 cubic feet per second of capacity). In 1994, MWD purchased the capacity of the District and twelve other agencies in the AMP and guaranteed that it would supply the peak weekly water demands of these agencies from the AMP or other facilities which MWD would build.

The cost of treated imported water from MWDOC as of June 30, 2021 is \$1,104 per acre foot. The cost of untreated imported water from MWDOC as of June 30, 2021 is \$777 per acre foot. In addition, the District currently pays a fixed charge to MWDOC in the form of readiness to serve, capacity reservation and service connection charges. The readiness to serve and capacity reservation charges are paid monthly and, as of June 30, 2021, total \$45,133 per month, while the service connection charge is paid annually and, for Fiscal Year 2021, was \$118,643.

MWDOC is a member agency of MWD. MWD was created in 1928 by vote of the electorates of a number of Southern California cities to provide a supplemental supply of water for domestic and municipal uses at wholesale to its member agencies. The MWD service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. There are 26 member agencies of MWD, consisting of 14 cities, 11 municipal water districts (including MWDOC) and one county water authority. MWD is governed by a Board of Directors (the “**MWD Board**”), which currently has 38 members. Each member agency has at least one representative on the MWD Board. Representation and voting rights are based upon each member agency’s assessed valuation. MWDOC is among MWD’s largest customers and has four representatives on the MWD Board. The total population of the MWD service area is approximately 19 million.

MWD member agencies request water from MWD at various delivery points within MWD’s service area and pay for such water at uniform rates that are established by the MWD Board for each class of service. For planning purposes, each MWD member agency advises MWD annually in December of its anticipated delivery requirements for each of the five following fiscal years. Charges for water delivered are billed monthly and payable by the end of the second month following delivery.

MWD’s principal sources of water are Colorado River supplies which are imported through the Colorado River Aqueduct and supplies from the Lake Oroville watershed in northern California which are imported through the State Water Project. The same water rate is charged for water provided from each source.

MWD’s water rates are established by majority vote of the MWD Board and are not subject to regulation by the California Public Utilities Commission or any other local, State or federal agency. Rates must be uniform for any class of service, and no water may be provided free of charge. Under the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended (the “**MWD Act**”), MWD is required, so far as practicable, to fix such rate or rates for water as will result in revenue which, together with revenue from any water standby or availability charge or assessment, will pay the operating expenses of MWD, provide for repairs and maintenance, provide for payment of the purchase price or other charges for

property or services or other rights acquired by MWD and provide for the payment of the interest and principal of the bonded debt of MWD, subject to the applicable provisions of the MWD Act authorizing the issuance and retirement of such bonds.

MWD and MWDOC face various challenges in the continued supply of imported water to the District, including reductions in water deliveries through the State Water Project and the Colorado River. In March 2021, the State of California Department of Water Resources (“DWR”), which operates the State Water Project, announced that allocations for water year 2020-21 would be limited to 5% of requested supplies and, in January 2022, DWR announced preliminary allocations for water year 2021-22 of 15% of requested supplies. Allocations represent the amount of State Water Project water that DWR will deliver for the year and are reviewed monthly based on several factors, including water in storage, environmental requirements and rain and snow runoff projections.

MWD has water supplies in storage and neither MWD nor MWDOC announced supply cutbacks based on the DWR allocation announcement for water year 2020-21. In addition, to date, neither MWD nor MWDOC have announced supply cutbacks based on the preliminary DWR allocation announcement for water year 2021-22, although there can be no assurance that they will not do so later in 2022. The Board has not considered imposing any restrictions on water use by Water System customers. See the caption “—Drought Declarations.”

A description of the supply challenges faced by MWD and MWDOC, as well as a variety of other operating information with respect to MWD and MWDOC, is included in certain disclosure documents prepared by MWD and MWDOC, respectively. MWD and MWDOC periodically prepare official statements and other disclosure documents in connection with their respective bonds and other obligations. MWD and MWDOC have also entered into certain continuing disclosure agreements pursuant to which they are contractually obligated for the benefit of owners of certain of their outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“**Rule 15c2-12**”). Such official statements, other disclosure documents, annual reports and notices are filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”) at <http://emma.msrb.org>. Such information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. NEITHER MWD NOR MWDOC HAVE ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE INFORMATION TO THE DISTRICT OR THE OWNERS OF THE BONDS.

MWD AND MWDOC HAVE NOT REVIEWED THIS OFFICIAL STATEMENT AND HAVE NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION THAT IS CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD OR MWDOC. MWD AND MWDOC ARE NOT CONTRACTUALLY OBLIGATED, AND HAVE NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.

Local Water. Approximately 2% (192 acre feet) of the District’s potable water supply in Fiscal Year 2021 consisted of precipitation and surface water runoff from Irvine Lake.

Irvine Lake is a 25,000 acre foot reservoir that is jointly owned by IRWD and Serrano Water District. It is the largest surface water reservoir in the County, with a surface area of approximately 700 acres. Irvine Lake was built in 1931 and is contained by the 810 foot tall Santiago Dam. Irvine Lake receives native water from the Santiago Creek watershed and is also used to store imported untreated water purchased by IRWD and other agencies. Water that is stored at Irvine Lake must be treated at the Baker WTP prior to delivery to District customers. See the caption “—Baker Water Treatment Plant” for a description of the Baker WTP.

From time to time IRWD elects, in its sole discretion, to treat water from Irvine Lake at the Baker WTP in order to fulfill District water supply needs. The District does not have entitlement to water from Irvine Lake or any storage rights in Irvine Lake.

In recent years, IRWD has identified the presence of Quagga mussels in Irvine Lake. Quagga mussels are an invasive species that present a hindrance to water facilities throughout the western United States. Some of MWD's and MWDOC's facilities have also been impacted by Quagga mussels. While Quagga mussels do not negatively impact water quality, they can be highly destructive to water system infrastructure and may require eradication and control measures to avoid reductions in water supplies. Currently, IRWD is monitoring the presence of the Quagga mussels in Irvine Lake and submitting annual monitoring reports to the California Department of Fish and Wildlife ("CDFW") to remain compliant with CDFW regulations. However, in the future, more significant operational adjustments to mitigate Quagga mussels may be required. Although the District is unable to quantify the cost of such measures at this time, they are not expected to have a significant negative impact on the District's ability to generate Net Revenues in amounts that are sufficient to pay the Bonds.

Other Water Purchases. As discussed under the caption "—Baker Water Treatment Plant," the District receives treated water from the Baker WTP through MNWD infrastructure. The District has capacity rights of up to 3.2 mgd from the Baker WTP. From time to time, the District also makes purchases of MWDOC water from MNWD and other neighboring water suppliers through the infrastructure of MNWD and other water suppliers. These water purchases are intermittent and the District pays the MWDOC prevailing rate per acre foot for the water. In Fiscal Year 2021, approximately 17% (1,260 acre feet) of the District's potable water supply consisted of imported treated water that the District purchased from MNWD. There can be no assurance that the District will enter into such purchases in the future. The projected operating results which are set forth under the caption "FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not assume purchases from other local agencies in the next five years.

Future Water Supplies. Currently, two water desalination plants (the "**Desalination Projects**") are in various stages of development in the County, each of which, if constructed, would be located along the Pacific Ocean within approximately 20 miles of the District's service area. Two separate groups are pursuing the development of the Desalination Projects, and neither Desalination Project is expected to be operational before 2027 at the earliest.

The District is evaluating whether to enter into a commitment to purchase desalinated seawater from the Desalination Projects. The Board has not made any determinations with respect thereto and the projected Water System operating results which are set forth under the caption "FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not assume any purchases of desalinated seawater in the projection period.

Drought Declarations

State and Federal Orders. On January 17, 2014, the Governor declared a drought state of emergency (the "**Declaration**") with immediate effect. The Declaration included an order encouraging local urban water suppliers, including the District, to implement their local water shortage contingency plans; the District's plan is discussed under the subcaption "—District Response to Drought." On April 7, 2017, after significant improvement in water supply conditions across California, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties (including the County).

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) commercial, industrial and institutional water use for landscape irrigation; and (iv) water loss. The indoor water use standard has been defined as 55 gallons per person per day ("**GPCD**") until January 2025; the standard will

decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use and commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The District is unable to predict the effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. However, the District is meeting and believes that it will continue to be able to meet the 55 GPCD standard for indoor water use, along with annual State-mandated water use efficiency standards, based on the District's current water demands and ongoing efforts to encourage conservation, as described below under the subcaption "—District Response to Drought." The District also has a tiered rate structure for residential customers that further promotes water use efficiency by charging a higher rate for water use in excess of maximum amounts within each tier. See the caption "—Water System Rates and Charges—Current Rates and Charges."

On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the SWRCB to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). There can be no assurance that subsequent State or MWDOC declarations will not impose mandatory water use restrictions should dry conditions persist in 2022 or future years.

In August 2021, the federal government declared a water shortage at Lake Mead, which is a major storage reservoir on the Colorado River. As discussed under the caption "—Water Supply—Imported Water," Colorado River supplies are among the water sources for MWD, which provides water to the District's water wholesaler, MWDOC. The water shortage declaration triggered mandatory cuts in water allocations for water users in Arizona and Nevada, although not for MWD or other users in California. Notwithstanding the foregoing, in December 2021, water users in California (including MWD), Arizona and Nevada agreed to voluntary cuts of 500,000 acre feet of water from the Colorado River in both 2022 and 2023, and MWD agreed to pay up to \$20 million to certain agricultural rightsholders that leave their land fallow. There can be no assurance that subsequent declarations with respect to the Colorado River will not require mandatory water cuts to MWD should dry conditions persist in 2022 or future years.

Water Shortage Contingency Plan. The District's water shortage contingency plan, which is referred to as the Water Shortage Conservation Plan (the "**WSCP**") and which meets State guidelines for such plans, calls for the District to respond to a water shortage in stages as follows:

- Level 1 is intended to effect a reduction in water use of up to 20%. Under Level 1, wasteful use of water (including using hoses without shutoff nozzles, irrigating landscaping during daylight hours and washing down paved areas) is prohibited. In addition, restaurants are encouraged to offer water to customers only if requested and operators of lodging establishments are encouraged to provide guests with the option not to have linens and towels laundered daily.
- Level 2 is intended to effect a reduction in water use of up to 40%. Under Level 2, the Level 1 restrictions are in place, landscape irrigation is limited to scheduled times and with time limits, covers are required for pools and spas and water leaks must be repaired within 72 hours of notification by the District.
- Level 3 is intended to effect a reduction in water use of over 40%. Under Level 3, the Level 1 and 2 restrictions are in place, landscape irrigation is further limited, the washing of vehicles except at commercial car washes is prohibited and water leaks must be repaired within 48 hours of notification by the District.

The District is empowered to enforce its water shortage contingency plan with successively increasing fines, the installation of flow restriction devices and the termination of water service.

The projected Water System operating results that are set forth under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” do not reflect the implementation of the WSCP. The District does not currently expect that the implementation of the WSCP in the future will have a material adverse effect on its ability to pay the Series 2022 Installment Payments from Net Revenues. As discussed under the caption “—Water System Rates and Charges,” the District’s rate structure consists of variable and fixed rate components. Decreased water revenues are substantially offset by a decrease in related variable costs, while fixed water charges largely cover the Water System’s fixed operating and maintenance costs. In addition, the District has covenanted to set Water System rates and charges in amounts that it expects to be sufficient to pay the Bonds from Net Revenues. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

If a water shortage should arise again in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in the District’s water rates to Water System customers. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of certain restrictions on the District’s ability to raise water rates.

Historical Water System Supply

The following table shows sources of supply for the Water System for the last five Fiscal Years, including recycled water, which is accounted for as part of the Wastewater System.

Table 1
El Toro Water District
Historical Water Supply in Acre Feet

<i>Fiscal Year</i> <i>Ended</i> <i>June 30</i>	<i>Imported</i> <i>Water</i>	<i>Recycled</i> <i>Water</i>	<i>Total</i>	<i>Percentage</i> <i>Increase/</i> <i>(Decrease)</i>
2017	7,034	1,419	8,453	N/A%
2018	7,874	1,460	9,334	10.42
2019 ⁽¹⁾	7,051	1,265	8,316	(10.91)
2020	7,331	1,359	8,690	4.50
2021	7,582	1,757	9,339	7.47

⁽¹⁾ Decrease reflects wet hydrological year.
Source: District.

Historical Water System Deliveries

The following table shows potable and recycled water deliveries to District customers for the last five Fiscal Years. Recycled water is accounted for as part of the Wastewater System.

Table 2
El Toro Water District
Historical Water System Deliveries in Acre Feet⁽¹⁾

<i>Fiscal Year Ended June 30</i>	<i>Residential Customers</i>	<i>Commercial Customers</i>	<i>Other Customers⁽²⁾</i>	<i>Recycled Water Customers</i>	<i>Total</i>	<i>Percentage Increase/ (Decrease)</i>
2017	4,698	890	1,218	1,249	8,056	N/A%
2018	4,950	881	1,513	1,412	8,756	8.69
2019 ⁽³⁾	4,600	835	1,301	1,152	7,889	(9.90)
2020	4,643	776	1,307	1,173	7,900	0.14
2021	5,002	749	1,464	1,574	8,789	11.25

⁽¹⁾ Differences between the above water deliveries and the water supplies set forth under the caption “—Historical Water System Supply” reflect unaccounted for water, including water losses and inaccuracies in water meter readings.

⁽²⁾ Reflects potable water deliveries to institutional, government and other customers. Recycled water deliveries to such customers are reflected in the Recycled Water Customers column.

⁽³⁾ Decrease reflects wet hydrological year.

Source: District.

Historical water deliveries reflect connections to the Water System as well as water demand, which can be affected by weather conditions, State mandates and other factors.

Historical Water System Connections

The following table shows the number of connections to the Water System for the last five Fiscal Years. Recycled water connections are shown under the caption “THE WASTEWATER SYSTEM—Historical Wastewater System Connections.”

Table 3
El Toro Water District
Historical Water System Connections

<i>Connection Type</i>	<i>Fiscal Year 2017</i>	<i>Fiscal Year 2018</i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>
Residential	8,284	8,286	8,279	8,282	8,287
Commercial	694	700	706	707	707
Other ⁽¹⁾	<u>757</u>	<u>754</u>	<u>749</u>	<u>760</u>	<u>715</u>
TOTAL	9,735	9,740	9,734	9,749	9,709
Percentage Increase/(Decrease)	N/A	0.05%	(0.06)%	0.15%	(0.41)%

⁽¹⁾ Includes institutional, government, irrigation and flooding meter customers.

Source: District.

Historical Water System Sales Revenues

The following table shows the sales revenues of the Water System for the last five Fiscal Years. Connection fees are not included in the below numbers. Revenues from recycled water sales are set forth under the caption “THE WASTEWATER SYSTEM—Historical Wastewater System Service Charge Revenues.”

Table 4
El Toro Water District
Historical Water System Sales Revenues

<i>Fiscal Year Ended June 30</i>	<i>Residential Customers</i>	<i>Commercial Customers</i>	<i>Other Customers⁽¹⁾</i>	<i>Total</i>	<i>Percentage Increase/ (Decrease)</i>
2017	\$8,481,329	\$1,692,921	\$2,638,716	\$12,812,966	N/A%
2018	8,958,963	1,740,213	3,085,732	13,784,907	7.59
2019 ⁽²⁾	8,679,621	1,729,340	2,688,898	13,097,859	(4.98)
2020	9,057,949	1,725,313	2,900,338	13,683,600	4.47
2021	9,794,223	1,731,953	3,115,710	14,641,887	7.00

⁽¹⁾ Reflects potable water sales revenues from institutional, government and other customers.

⁽²⁾ Decrease reflects wet hydrological year.

Source: District.

Water System sales revenues reflect water deliveries as well as adopted rates and charges. See the captions “—Historical Water System Deliveries” and “—Water System Rates and Charges.”

Largest Water System Customers

The following table shows the largest Water System customers for the Fiscal Year ended June 30, 2021, as determined by annual payments. Recycled water customers are not included in the below table, as Revenues from recycled water sales are accounted for as part of the Wastewater System.

Table 5
El Toro Water District
Ten Largest Water System Customers

<i>Customer</i>	<i>Customer Type</i>	<i>Annual Payment</i>	<i>Percentage of Total Water System Sales Revenues</i>
VMS INC – United ⁽¹⁾	Homeowners Association	\$2,019,787	13.79%
VMS INC – Third ⁽¹⁾	Homeowners Association	1,747,306	11.93
Laguna Village Owners Association Inc ⁽¹⁾	Homeowners Association	399,362	2.73
City of Lake Forest	Municipality	305,217	2.08
VMS INC – Golden Rain ⁽¹⁾	Homeowners Association	218,762	1.49
Aliso Creek Villas Homeowners Association	Homeowners Association	201,707	1.38
PMI Prado LLC	Homeowners Association	170,194	1.16
Saddleback Community Hospital	Institutional	168,751	1.15
Pheasant Creek – Condo Association	Multi-Family	134,024	0.92
Saddleback Valley School District	Institutional	132,506	0.90
Total		\$5,497,616	37.55%

⁽¹⁾ Includes hundreds of individual residential connections, collectively including substantially all residents of the City of Laguna Woods.

Source: District.

These customers accounted for approximately 37.55% of total Water System sales revenues and service charges of \$14,641,887 in Fiscal Year 2021.

Water System Rates and Charges

General. The Water System’s rates and charges are set by the Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District is, however, required to comply with the notice, hearing and majority protest provisions of Article XIII D of the State Constitution, which is popularly known as Proposition 218, as to Water System rates and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for further information with respect to Proposition 218.

The District annually determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The Board sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Water System, to make debt service payments and to maintain appropriate reserves for the Water System.

In June 2021, the Board adopted rates for Fiscal Year 2022 (the “**Rate Plan**”) in accordance with the provisions of Proposition 218. The adopted Rate Plan remains in place as of the date hereof. There can be no assurance that the Board will not repeal or modify the rates that are set forth in the Rate Plan in the future or that the District’s ratepayers will not approve an initiative to repeal or modify any increase in water rates and charges approved by the Board.

The projected operating results which are set forth under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” assume average Water System rate increases of approximately 4.50% per annum for Operation and Maintenance Costs and approximately 9.01% per annum for capital replacements and refurbishments in Fiscal Years 2023 through 2026 which have not yet been approved. There can be no assurance that Water System rates will be increased as projected herein. In the event that the Board does not adopt such rate increases as currently contemplated, Water System operating results could be materially different from the projections in this Official Statement.

The District is subject to certain covenants with respect to the Bonds which require the District to set Water System rates and charges in amounts that it expects to be sufficient to pay the Bonds from Net Revenues. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Adopted Rates and Charges. The District’s water rates and charges include: (1) a water budget-based commodity rate which includes usage tiers that each have a different rate; and (2) fixed monthly charges that include two components, a Water Operations & Maintenance Charge and a Capital Replacement & Refurbishment Charge.

(1) ***Commodity Rates.*** The District imposes commodity rates for residential customers on a tiered basis per hundred cubic feet of water (“HCF”) used in each billing cycle. Tier 1 (calculated as 55 gallons per day X household members X days in billing cycle divided by 748 gallons for single family residential customers) generally reflects essential indoor use, Tier 2 (calculated as weather data X landscape area X evapotranspiration factor divided by 1,200 X Outdoor Drought Factor for single family residential customers) generally reflects efficient summer outdoor use, while Tier 3 (100%-130% of Tier 1 and 2 limits for single family residential customers) and Tier 4 (130%+ of Tier 1 and 2 limits for single family residential customers) generally reflect inefficient and excessive water use, respectively. Current commodity rates are set forth below.

**Table 6
El Toro Water District
Water Commodity Rates per HCF**

<i>Water Use Type</i>	<i>Rate</i>
Single Family Residential Tier 1	\$2.72
Single Family Residential Tier 2	3.11
Single Family Residential Tier 3	6.78
Single Family Residential Tier 3	8.52
Commercial/Institutional/Industrial	3.14

Source: District.

(2) Fixed Monthly Charge. The District imposes the following fixed monthly water service charges based on water meter size:

Table 7
El Toro Water District
Fixed Monthly Water Service Charges

<i>Meter Size</i>	<i>Operations and Maintenance</i>	<i>Capital Replacement and Refurbishment</i>	<i>Total</i>
5/8"	\$ 16.56	\$ 4.66	\$ 21.22
3/4"	22.24	4.66	26.90
1"	33.60	7.78	41.38
1.5"	62.00	18.91	80.91
2"	118.80	47.47	166.27

Source: District.

Connection Fees. The District charges a Water Capital Facility fee to customers desiring new and/or increased capacity in the Water System. The Water Capital Facility fee consists of two components, the Meter Component and the Water Supply Charge Component. Current Water Capital Facilities fees are as follows:

El Toro Water District
Water System Connection Fees

<i>Meter Size</i>	<i>Connection Fee</i>
5/8"	\$ 2,145
3/4"	2,145
1"	3,582
1.5"	8,708
2"	21,856

Source: District.

Comparison to Nearby Service Providers. The table below sets forth a comparison of the District's typical water bill for a single family residential user to those of certain nearby water purveyors.

Table 8
El Toro Water District
Water Rate Comparison

<i>Water Service Provider</i>	<i>Charge⁽¹⁾</i>
City of Costa Mesa	\$81.65
South Coast Water District	75.38
City of Santa Ana	72.20
Trabuco Canyon Water District	72.03
El Toro Water District	69.65
City of Newport Beach	67.00
Santa Margarita Water District	65.06
City of Tustin	64.83
City of Anaheim	63.83
City of Orange	55.46
City of Huntington Beach	52.58
Irvine Ranch Water District ⁽²⁾	41.71

⁽¹⁾ Based on assumed usage of 15 ccf per month. Information is as of October 1, 2021.

⁽²⁾ For IRWD, the first 6 HCF is billed at the low volume rate of \$1.47 and next 9 HCF is billed at \$2.00. Excludes *ad valorem* assessments levied by IRWD.

Source: District.

Water System Collection Procedures

The District is on a monthly billing cycle for Water System customers. A consolidated bill which includes wastewater charges is sent to customers every month for services rendered in the prior month. All accounts with charges for services that are at least sixty days past due are subject to discontinuation of service proceedings. The District will send an automated telephonic notice and mail a written notice to the billing address at least 10 Business Days prior to service shutoff. If payment is not received, a Posting Notice will be placed at the service address at least 5 Business Days prior to service shutoff. When this notice is dispatched, a notification fee of \$15 is added to the account. Accounts for which service is discontinued will not be reinstated until all charges, including a reconnection fee, have been paid. The amount of the reconnection fee is dependent upon whether service is reinstated during office hours, which incurs a fee of \$20, or after office hours, which incurs a fee of \$30. Customers that receive two shutoff notices within any 12 month period are required to pay a deposit of \$50 before service will be reinstated.

As of December 31, 2021, less than 2% of the District's customers are delinquent in the payment of their bills, which is slightly higher than historical averages of approximately 0.50%. The higher delinquencies are likely the result of the COVID-19 outbreak and the suspension of water shutoffs during the outbreak. This figure reflects an aging report and reflects the total of all bills not paid during prior Fiscal Years, including amounts shown as delinquent prior to the COVID-19 outbreak, and includes delinquent wastewater service amounts. The District reports that most customers pay their bills in full, including late charges, prior to shutoff.

See the caption "THE DISTRICT—COVID-19 Outbreak" for a discussion of the suspension of water shutoffs through December 31, 2021. The suspension has prevented the District from shutting off delinquent accounts as described in the preceding paragraphs. Considering the continuing potential impacts of the pandemic, the District anticipates that its allowance for the write-off of uncollectible accounts will be approximately \$20,000 for Fiscal Year 2022, representing approximately 0.07% of projected Water System and Wastewater System Revenues. The District plans to offer delinquent customers longer-term payment arrangements and to apply grant funds to cover write-offs, including grant funds under the CWWAPP. See the caption "THE DISTRICT—COVID-19 Outbreak" for a discussion of the CWWAPP.

Future Water System Improvements

The District projects total capital improvements to the Water System of approximately \$27.4 million during Fiscal Years 2022 through 2026, including: (i) the 2022 Project (as discussed under the caption “THE 2022 PROJECT”); and (ii) the following additional projects, among others:

- Reservoir 2 interior recoating (budget estimate at \$605,000);
- Replace chlorine generator and reservoir management system at Reservoir 4 (budget estimate at \$370,000);
- Replacement purchase of a hydro-excavator (budget estimate at \$650,000); and
- Several other projects budgeted at \$250,000 or less.

Such capital improvements are expected to be financed by a combination of the Bonds, Water System capital facility reserves accumulated in prior years and Revenues remaining after the payment of debt service on the Bonds. The District does not currently anticipate that it will issue additional Parity Bonds or Contracts to finance such capital improvements in Fiscal Years 2022 through 2026.

Projected Water System Supply

The following table shows the sources of supply for the Water System that are projected by the District for the current and next four Fiscal Years, including recycled water, which is accounted for as part of the Wastewater System.

Table 9
El Toro Water District
Projected Water Supply in Acre Feet

<i>Fiscal Year Ending June 30</i>	<i>Imported Water</i>	<i>Recycled Water</i>	<i>Total</i>	<i>Percentage Increase/ (Decrease)</i>
2022	7,000	1,757	8,757	6.23%
2023	7,000	1,757	8,757	0.00
2024	7,000	1,757	8,757	0.00
2025	7,000	1,757	8,757	0.00
2026	7,000	1,757	8,757	0.00

Source: District.

Projected Water System Deliveries

The following table shows potable and recycled deliveries to District customers that are projected by the District for the current and next four Fiscal Years. Recycled water is accounted for as part of the Wastewater System.

Table 10
El Toro Water District
Projected Water System Deliveries in Acre Feet⁽¹⁾

<i>Fiscal Year Ending June 30</i>	<i>Residential Customers</i>	<i>Commercial Customers</i>	<i>Other Customers⁽²⁾</i>	<i>Recycled Water Customers</i>	<i>Total</i>	<i>Percentage Increase/ (Decrease)</i>
2022	4,623	695	1,382	1,485	8,185	(6.87)%
2023	4,623	695	1,382	1,485	8,185	0.00
2024	4,623	695	1,382	1,485	8,185	0.00
2025	4,623	695	1,382	1,485	8,185	0.00
2026	4,623	695	1,382	1,485	8,185	0.00

⁽¹⁾ Differences between the above projected water deliveries and the projected water supplies set forth under the caption “—Projected Water System Supply” reflect the average potable water utilization or loss amount that the District has historically incurred. This water utilization or loss includes from planned utilizations of potable water such as hydrant flushing or other uses and unplanned losses such as leaks or meter inaccuracies. Recycled water deliveries also reflect non-revenue utilization of recycled water at the WRP and for landscaping maintenance at District-owned properties. See the caption “THE WASTEWATER SYSTEM—Water Recycling Plant.”

⁽²⁾ Reflects projected potable water deliveries to institutional, government and other customers. Projected recycled water deliveries to such customers are reflected in the Recycled Water Customers column.

Source: District.

Water System deliveries can be affected by a number of factors, including connections to the Water System, State mandates and weather conditions. See the caption “—Projected Water System Connections” below.

Projected Water System Connections

The following table shows the number of retail connections to the Water System that are projected by the District for the current and next four Fiscal Years. Recycled water connections are shown under the caption “THE WASTEWATER SYSTEM—Projected Wastewater System Connections.”

Table 11
El Toro Water District
Projected Water System Connections

<i>Connection Type</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>	<i>Fiscal Year 2025</i>	<i>Fiscal Year 2026</i>
Residential	8,283	8,283	8,283	8,283	8,283
Commercial	707	707	707	707	707
Other ⁽¹⁾	<u>725</u>	<u>725</u>	<u>725</u>	<u>725</u>	<u>725</u>
TOTAL	9,715	9,715	9,715	9,715	9,715
Percentage Increase/(Decrease)	0.06%	0.00%	0.00%	0.00%	0.00%

⁽¹⁾ Includes institutional, government, irrigation and flooding meter customers.

Source: District.

The District does not incorporate projected increases in connections in its financial projections because there are limited opportunities for development within the Water System service area. However, several years ago, the Laguna Hills Mall was purchased by a private developer with the intent of redeveloping the property into a mixed use development that may incorporate as many as 1,500 new residences along with new shopping and other amenities. There has not yet been an approved development plan or timeline for this project and, therefore, the District has not included any portion of this potential development into the projected number of connections. If the development does occur largely as currently conceived, in the next three to five years, the District could realize an over 10% increase in connections (up to 1,500 proposed residences / 10,000

current connections) along with significant revenue from the associated Water and Wastewater Capital Facility fees. See the captions “—Water System Rates and Charges—Connection Fees” and “THE WASTEWATER SYSTEM—Wastewater System Rates and Charges—Connection Fees.”

Projected Water System Sales Revenues

The following table shows the sales revenues of the Water System that are projected by the District for the current and next four Fiscal Years. Projected revenues from recycled water sales are set forth under the caption “THE WASTEWATER SYSTEM—Projected Wastewater System Service Charge Revenues.” The projections: (i) are based on the increases in projected water deliveries that are described under the caption “—Projected Water System Deliveries;” and (ii) assume Water System rate increases of approximately 4.50% per annum for Operation and Maintenance Costs and approximately 9.01% per annum for capital replacements and refurbishments in Fiscal Years 2023 through 2026 which have not yet been adopted. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that rate increase which is projected herein will be approved. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Table 12
El Toro Water District
Projected Water System Sales Revenues

<i>Fiscal Year</i>					<i>Percentage</i>
<i>Ending</i>	<i>Residential</i>	<i>Commercial</i>	<i>Other</i>	<i>Total</i>	<i>Increase/</i>
<i>June 30</i>	<i>Customers</i>	<i>Customers</i>	<i>Customers⁽¹⁾</i>		<i>(Decrease)</i>
2022	\$ 9,744,132	\$1,872,171	\$3,125,198	\$14,741,500	0.68%
2023	10,106,426	1,941,779	3,241,395	15,289,600	3.72
2024	10,520,079	2,021,256	3,374,065	15,915,400	4.09
2025	10,940,938	2,102,117	3,509,045	16,552,100	4.00
2026	11,321,806	2,175,294	3,631,200	17,128,300	3.48

⁽¹⁾ Reflects projected potable water sales revenues from institutional, government and other customers.

Source: District.

THE WASTEWATER SYSTEM

General

The District is the sole provider of sanitary sewer collection service within its service area. As of June 30, 2021, the District provided wastewater service to approximately 8,287 single family residential, 707 commercial and 23 governmental, institutional and other customers. District customers generate an average of approximately 3.6 mgd of wastewater.

The Wastewater System includes approximately 124 miles of sewer pipelines ranging from 4” to 24” in diameter, 11 lift stations and the District-owned WRP, which has a maximum secondary treatment capacity of approximately 6.0 mgd. The WRP also has a tertiary treatment capacity of approximately 3.7 mgd. See the caption “—Water Recycling Plant.” Wastewater which is treated to tertiary levels at the WRP is suitable for delivery to recycled water customers. Treated effluent that is not recycled is disposed of through the Aliso Creek Ocean Outfall. See the caption “—Environmental Compliance.”

In Fiscal Year 2021, approximately 39% of the District’s wastewater flow (or 1.5 mgd) was treated to tertiary levels and delivered to approximately 274 recycled water customers, primarily for landscape irrigation for golf courses, homeowners associations, schools, parks and green belts. Recycled water deliveries offset higher cost purchases of imported potable water and represent an additional reliable source of local water

supply. The District maintains approximately 26 miles of recycled water pipelines. See the caption “—Recycled Water System.” The District’s Recycled Water System is accounted for as part of the Wastewater System.

Water Recycling Plant

The WRP was constructed in 1963 with an original capacity of 1.5 mgd. Several expansions and upgrades occurred in the intervening years, including a significant reconstruction in 1998. The WRP now has an average flow capacity of 5.4 mgd, with a maximum secondary treatment capacity of 6.0 mgd. The WRP also has a tertiary treatment capacity of approximately 3.7 mgd.

The wastewater treatment process at the WRP involves several steps. First, incoming wastewater flow enters a bar screen, where large objects are removed. Wastewater then flows into a grit chamber, where the heaviest materials settle out and are hauled to a regulated landfill. Fine screens then remove coarse organic materials for further treatment. Equalization basins provide temporary storage of wastewater when the incoming flow exceeds the average daily flow. Wastewater is consistently pumped back into the flow stream to maintain a steady, equalized flow, which enhances the overall treatment process.

Wastewater that is treated to secondary levels is subject to the continuous injection of air in aeration basins, which fosters the growth of microorganisms that consume organic material in the wastewater. The cultivated microorganisms eventually settle out as solids in the secondary clarifiers. A portion of the settled solids is returned to the aeration basins and the excess is removed for disposal. Solids produced during the treatment process are thickened and trucked to facilities that are owned by the South Orange County Wastewater Authority (“SOCWA”), a joint powers agency of which the District is a member. Organic matter in the solids is stabilized in digesters, and digested solids are dewatered and conveyed offsite for biosolids recycling. Methane gas, a byproduct of the digestion process, is piped to a cogeneration facility to fuel generators that supplement the SOCWA electricity supply.

The remaining effluent that is not treated to tertiary levels is disposed of through the Aliso Creek Ocean Outfall, which is owned by SOCWA. See the caption “—Environmental Compliance.”

The District began large-scale production of recycled water in 2015. Effluent that is treated to tertiary levels is further disinfected and filtered after the secondary process is complete to produce recycled water that is suitable for use for landscape irrigation. The secondary treated effluent flows through cloth media disc filters, which trap solids and debris, while the filtered water flows into a basin where chlorine is injected for disinfection, which removes viruses and pathogens. The chlorine-infused water travels through a series of baffled channels to ensure compliance with chlorine contact time requirements. The tertiary treated water is then ready to be pumped into the recycled water distribution system.

SOCWA Operations

SOCWA was formed in 2001 as the successor agency to the Aliso Water Management Agency, South East Regional Reclamation Authority and South Orange County Reclamation Authority.

SOCWA operates pursuant to a Joint Exercise of Powers Agreement, which has been entered into by and among its members, including the District. Under the SOCWA JPA Agreement, each SOCWA facility (including the Aliso Creek Ocean Outfall) is operated through Project Committees, consisting of the members that participate in the use of each facility. Project Committees manage SOCWA facilities for the benefit of participating members, which pay operating costs of such facilities in proportion with their capacity rights therein. The District maintains an ownership interest of 16.3% (or 8.15 mgd) of the Aliso Creek Ocean Outfall’s operating capacity. The District’s payments to SOCWA constitute Operation and Maintenance Costs of the Wastewater System.

Environmental Compliance

As discussed under the caption “—Water Recycling Plant,” the District conveys wastewater that has been treated to secondary levels to SOCWA for disposal through the 7,900 foot long Aliso Creek Ocean Outfall on behalf of the District and six other SOCWA member agencies. Disposal of treated wastewater through the outfall, which was originally constructed in 1979, is subject to the terms and conditions of a National Pollutant Discharge Elimination System (“NPDES”) permit (the “**Aliso Creek NPDES Permit**”) that has been issued by the State Department of Environmental Protection, San Diego Regional Water Quality Control Board (the “**Regional Board**”).

SOCWA’s present Aliso Creek NPDES Permit (Waste Discharge Order No. R9-2014-0098, NPDES Permit No. CA CA0107611) became effective in 2012 and expired on May 31, 2017. SOCWA has applied for a renewal of this permit and its application is currently under review by the Regional Board. Based on indications from the Regional Board, the District understands that SOCWA expects the Aliso Creek NPDES Permit to be renewed on similar terms to Order No. R9-2014-0098, with Order No. R9-2014-0098 remaining in effect until such renewal occurs. However, there can be no assurance that the Aliso Creek NPDES Permit will be renewed on similar terms.

On May 2, 2006, the SWRCB issued General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order No. 2006-0003 (the “**General Order**”). The General Order requires public agencies that own sanitary sewer systems comprised of more than one mile of pipes or sewer lines to develop sanitary sewer management plans and report all sanitary sewer overflows. The District is currently enrolled under the General Order and has a certified sanitary sewer management plan.

Recycled Water System

In Fiscal Year 2021, approximately 39% of the District’s wastewater flow (or 1.5 mgd) was treated to tertiary levels at the WRP and delivered to approximately 274 recycled water customers, primarily for landscape irrigation for golf courses, homeowners associations, schools, parks and green belts. Recycled water deliveries offset higher cost purchases of imported potable water and represent an additional reliable source of local water supply. See the caption “—Water Recycling Plant” for a description of the process by which recycled water is produced at the WRP.

The WRP’s tertiary treatment facilities are designed to produce as much as 3.7 mgd of recycled water, with a peak hour pumping capacity of over 5,000 gallons per minute. The facilities were designed with the ability to expand capacity up to the expected maximum amount of raw wastewater entering the plant, although the District does not yet have the customer base to support the production of such an amount of recycled water.

Prior to 2015, the District had a single recycled water customer. The District began large-scale production of recycled water to multiple customers in 2015. The District maintains approximately 26 miles of recycled water pipelines.

The District’s Recycled Water System is accounted for as part of the Wastewater System.

See the caption “—Projected Wastewater System Capital Improvements” for a discussion of additional expected capital improvements to the recycled water system.

Historical Wastewater System Connections

The following table shows the number of connections to the Wastewater System for the last five Fiscal Years.

Table 13
El Toro Water District
Historical Wastewater System Connections

<i>Connection Type</i>	<i>Fiscal Year 2017</i>	<i>Fiscal Year 2018</i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>
Residential	8,284	8,286	8,279	8,282	8,287
Commercial	694	700	706	707	707
Other ⁽¹⁾	23	23	23	23	23
Recycled	<u>208</u>	<u>208</u>	<u>215</u>	<u>228</u>	<u>274</u>
TOTAL	9,209	9,217	9,223	9,240	9,291
Percentage Increase/(Decrease)	N/A	0.09%	0.07%	0.18%	0.55%

⁽¹⁾ Includes institutional and governmental customers.
Source: District.

Historical Wastewater System Usage

The following table shows the volume of wastewater treated by the Wastewater System for the last five Fiscal Years, including wastewater that was treated to tertiary levels and sold as recycled water.

Table 14
El Toro Water District
Historical Wastewater System Usage

<i>Fiscal Year</i>	<i>Daily Average Flow (mgd)</i>	<i>% Increase/(Decrease)</i>
2017	3.7	N/A%
2018	3.6	(2.70)
2019	3.7	2.78
2020	3.7	0.00
2021	3.6	(2.70)

Source: District.

Wastewater System usage is affected by a number of factors, including but not limited to the number of connections to the Wastewater System and water conservation efforts.

Historical Recycled Water Sales

The following table shows the historical volume of recycled water sales for the last five Fiscal Years.

Table 15
El Toro Water District
Historical Recycled Water Sales in Acre Feet

<i>Fiscal Year</i>	<i>Recycled Water Sales</i>	<i>% Increase/(Decrease)</i>
2017	1,249	N/A%
2018	1,412	13.05
2019 ⁽¹⁾	1,152	(18.41)
2020	1,173	1.82
2021	1,574	34.19

⁽¹⁾ Decrease reflects wet hydrological year.
Source: District.

Recycled water sales are affected by a number of factors, including but not limited to the amount of winter precipitation received.

Historical Wastewater System Service Charge Revenues

The following table shows historical service charge revenues of the Wastewater System for the last five Fiscal Years.

Table 16
El Toro Water District
Historical Wastewater System Service Charge Revenues

<i>Fiscal Year</i>	<i>Residential Customers</i>	<i>Commercial Customers</i>	<i>Other Customers⁽¹⁾</i>	<i>Recycled Water Customers</i>	<i>Total</i>	<i>Percentage Increase/(Decrease)</i>
2017	\$7,257,187	\$ 1,654,615	\$ 53,273	\$1,794,906	\$10,759,981	N/A%
2018	7,439,591	1,653,618	57,048	1,935,453	11,085,710	3.03
2019 ⁽²⁾	7,614,121	1,638,938	52,282	1,649,897	10,955,238	(1.18)
2020	7,641,860	1,550,669	49,942	1,801,872	11,044,342	0.81
2021	7,594,987	1,506,079	54,509	2,341,084	11,496,659	4.10

⁽¹⁾ Includes institutional and governmental customers.

⁽²⁾ Decrease reflects wet hydrological year.

Source: District.

Wastewater service charge revenues and recycled water revenues are affected by a number of factors, including the number of connections, precipitation levels, rates and charges and drought conditions. See the captions “—Historical Wastewater System Connections,” “—Wastewater System Rates and Charges” and “THE WATER SYSTEM—Drought Declarations.”

Largest Wastewater System Customers

Sanitary Sewer Service Customers. The following table sets forth the District's ten largest sanitary sewer service customers as of June 30, 2021, as determined by the amount of their respective payments.

Table 17
El Toro Water District
Ten Largest Sanitary Sewer Service Customers

<i>Customer</i>	<i>Customer Type</i>	<i>Annual Payment</i>	<i>Percentage of Total Wastewater System Service Charge Revenues</i>
VMS INC – United ⁽¹⁾	Homeowners Association	\$1,758,475	15.30%
VMS INC – Third ⁽¹⁾	Homeowners Association	1,686,407	14.67
Laguna Village Owners Association Inc ⁽¹⁾	Homeowners Association	306,061	2.66
Saddleback Community Hospital	Institutional	146,252	1.27
Pheasant Creek – Condo Association	Multi-family	140,833	1.22
Aliso Creek Villas Homeowners Association	Homeowners Association	137,498	1.20
PMI Prado LLC	Homeowners Association	120,410	1.05
Oakbrook Urban Village I LLC	Homeowners Association	97,818	0.85
Pacifica Laguna Hills LLC	Homeowners Association	97,676	0.85
El Toro Mobile Estates	Multi-family	<u>91,276</u>	<u>0.79</u>
Total		\$4,582,707	39.86%

⁽¹⁾ Includes hundreds of individual residential connections, collectively including substantially all residents of the City of Laguna Woods.

Source: District.

These customers accounted for approximately 39.86% of total Wastewater System service charges of \$11,496,659 in Fiscal Year 2021.

Recycled Water Service Customers. The following table sets forth the District’s ten largest recycled water service customers as of June 30, 2021, as determined by the amount of their respective payments.

Table 18
El Toro Water District
Ten Largest Recycled Water Service Customers

<i>Customer</i>	<i>Customer Type</i>	<i>Annual Payment</i>	<i>Percentage of Total Wastewater System Service Charge Revenues</i>
VMS – Third Homeowners Association ⁽¹⁾	Recycled	\$ 1,219,847	10.61%
Laguna Woods Golf Course	Recycled	398,048	3.46
Laguna Village Owners Association ⁽¹⁾	Recycled	208,630	1.81
VMS – United Homeowners Association ⁽¹⁾	Recycled	105,141	0.91
VMS – Golden Rain ⁽¹⁾	Recycled	95,525	0.83
Casa De Laguna Association	Recycled	50,848	0.44
City of Laguna Hills	Recycled	50,191	0.44
Willows Foundation Inc	Recycled	40,565	0.35
City of Laguna Woods	Recycled	22,541	0.20
Laguna Woods Mutual 50 Homeowners Association	Recycled	<u>20,803</u>	<u>0.18</u>
Total		\$2,212,139	19.24%

⁽¹⁾ This homeowners association includes hundreds of individual residential connections. Recycled water is served by the homeowners association to common areas within a residential development.

Source: District.

These customers accounted for approximately 19.24% of total Wastewater System service charges of \$11,496,659 in Fiscal Year 2021, and for approximately 94.49% of total recycled water service charges of \$2,341,084 in Fiscal Year 2021.

Wastewater System Rates and Charges

General. The Wastewater System’s rates and charges are set by the Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District is, however, required to comply with the notice, hearing and majority protest provisions of Article XIII D of the State Constitution, which is popularly known as Proposition 218, as to Water System rates and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for further information with respect to Proposition 218.

The District annually determines the adequacy of the charge structure for wastewater service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Wastewater System. The Board sets wastewater service and recycled water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Wastewater System, to make debt service payments and to maintain appropriate reserves for the Wastewater System.

In June 2021, the Board adopted the Rate Plan, which established wastewater service and recycled water rates for Fiscal Year 2022, in accordance with the provisions of Proposition 218. The adopted Rate Plan remains in place as of the date hereof. There can be no assurance that the Board will not repeal or modify the rates that are set forth in the Rate Plan in the future or that the District’s ratepayers will not approve an initiative to repeal or modify any increase in water rates and charges approved by the Board.

The projected operating results which are set forth under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” assume the following for Fiscal

Years 2023 through 2026: (i) sewer service rate increases of approximately 3.38% per annum; (ii) sewer service capital replacement and refurbishment rate increases of approximately 5.96% per annum; (iii) recycled water service rate increases of approximately 4.50% per annum; and (iv) recycled water service capital replacement and refurbishment rate increases of approximately 9.01% per annum. None of such rate increases have been approved. There can be no assurance that Wastewater System rates will be increased as projected herein. In the event that the Board does not adopt such rate increases as currently contemplated, Water System operating results could be materially different from the projections in this Official Statement.

The District is subject to certain covenants with respect to the Bonds which require the District to set Wastewater System rates and charges in amounts that it expects to be sufficient to pay the Bonds from Net Revenues. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Adopted Rates and Charges. The District’s Wastewater System rates and charges include: (1) (a) a fixed monthly charge for operations and maintenance for residential sewer service customers; and (b) a fixed monthly charge for capital replacement and refurbishment for residential and commercial sewer service customers; (2) a flow-based commodity rate for operations and maintenance for commercial sewer service customers; (3) a commodity rate for recycled water customers; and (4) a fixed monthly charge for both operations and maintenance and capital replacement and refurbishment for recycled water customers.

(1) Sewer Service Fixed Monthly Charge. The District imposes the following monthly sewer service charges based on customer type:

Table 19
El Toro Water District
Monthly Sewer Service Charges

<i>Charge and Customer Type</i>	<i>Operations and Maintenance</i>	<i>Capital Replacement and Refurbishment</i>
<u>Fixed Meter Charge for Operations and Maintenance (Residential)</u>		
Single Family Residential	\$ 25.76	\$ 4.93
Multifamily Restricted	20.44	3.91
Multifamily Unrestricted	24.30	4.65
<u>Fixed Meter Charge for Capital Replacement and Refurbishment (Commercial and Residential)</u>		
Commercial 5/8” Meter	N/A	4.34
Commercial 3/4” Meter	N/A	7.34
Commercial 1” Meter	N/A	13.55
Commercial 1.5” Meter	N/A	24.07
Commercial 2” Meter	N/A	70.96

Source: District.

(2) Sewer Service Flow-Based Commodity Rate. The District imposes the following flow-based sewer service commodity rates for commercial customers:

Table 20
El Toro Water District
Flow-Based Sewer Service Commodity Rate per HCF

<i>Commercial Customer Type</i>	<i>Charge per HCF</i>
Animal Kennel/Hospital	\$4.23
Car Wash	4.21
Department/Retail Store	4.23
Dry Cleaner	3.71
Golf Course/Camp/Park	3.70
Health Spa	4.22
Hospital/Convalescent Home	3.71
Hotel	6.41
Market	8.40
Mortuary	8.37
Nursery/Greenhouse	3.76
Professional/Financial Office	4.23
Public Institution	4.17
Repair/Service Station	4.23
Restaurant	4.00
School	4.38
Theater	4.23
Warehouse/Storage	3.35
Basic Commercial	3.71

Source: District.

(3) Recycled Water Service Commodity Rate. The District imposes a commodity rate of \$2.80 per HCF for recycled water customers, which is equivalent to 90% of the potable water Tier 2 commodity rate.

(4) Recycled Water Service Fixed Monthly Charge. The District imposes the following fixed monthly recycled water service charges based on water meter size:

Table 21
El Toro Water District
Fixed Monthly Recycled Water Charges

<i>Meter Size</i>	<i>Operations and Maintenance</i>	<i>Capital Replacement and Refurbishment</i>	<i>Total</i>
5/8"	\$ 16.56	\$ 4.66	\$ 21.22
3/4"	22.24	4.66	26.90
1"	33.60	7.78	41.38
1½"	62.00	18.91	80.91
2"	118.80	47.47	166.27

Source: District.

Connection Fees. The District charges a Sewer Capital Facilities fee to customers desiring new and/or increased capacity in the District's Wastewater System. The basic Sewer Capital Facilities fee is an amount equal to the estimated number of gallons of wastewater to be discharged into the District's system each day multiplied by \$9.311.

Comparison to Nearby Service Providers. The table below sets forth a comparison of the District's typical monthly wastewater service bill for a single family residential user to those of certain nearby wastewater service providers.

Table 22
El Toro Water District
Monthly Residential Wastewater Service Charge Comparison

<i>Sewer Service Provider</i>	<i>Charge⁽¹⁾</i>
South Coast Water District	\$70.37
City of Orange	40.08
Santa Margarita Water District	40.05
City of Huntington Beach	38.93
City of Tustin	37.58
Trabuco Canyon Water District	37.32
City of Newport Beach	37.13
Mesa Water District	36.51
City of Santa Ana	34.99
City of Anaheim	34.63
El Toro Water District	30.69
Irvine Ranch Water District ⁽²⁾	19.55 – 26.10

⁽¹⁾ Information is as of October 1, 2021.

⁽²⁾ IRWD sewer service charge varies depending upon customer water usage. Excludes *ad valorem* assessments levied by IRWD.

Source: District.

Wastewater System Collection Procedures

The District is on a monthly billing cycle for Wastewater System customers. Bills are consolidated with water service bills. See the caption “THE WATER SYSTEM—Water System Collection Procedures” for a discussion of collection procedures applicable to District bills.

Future Wastewater System Improvements

The District projects total capital improvements to the Wastewater System of approximately \$12.8 million during Fiscal Years 2022 through 2026, including: (i) the 2022 Project (as discussed under the caption “THE 2022 PROJECT”); and (ii) the following additional projects, among others:

- Purchase of a vactor (budget estimate at \$500,000);
- Replacement of aeration basin diffusers (budget estimate at \$380,000);
- Replacement of the Aliso Creek Lift Station emergency generator (budget estimate at \$275,000); and
- Several other projects budgeted at \$250,000 or less.

Such capital improvements are expected to be financed by a combination of the Bonds, Wastewater System reserves and Revenues remaining after the payment of debt service on the Bonds. The District does not currently anticipate that it will issue additional Parity Bonds or Contracts to finance such capital improvements in Fiscal Years 2022 through 2026.

Projected Wastewater System Connections

The following table shows the number of connections to the Wastewater System that are projected for the current and next four Fiscal Years.

Table 23
El Toro Water District
Projected Wastewater System Connections

<i>Connection Type</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>	<i>Fiscal Year 2025</i>	<i>Fiscal Year 2026</i>
Residential	8,283	8,283	8,283	8,283	8,283
Commercial	707	707	707	707	707
Other ⁽¹⁾	23	23	23	23	23
Recycled	<u>275</u>	<u>275</u>	<u>275</u>	<u>275</u>	<u>275</u>
TOTAL	9,288	9,288	9,288	9,288	9,288
Percentage Increase/(Decrease)	0.03%	0.00%	0.00%	0.00%	0.00%

⁽¹⁾ Includes institutional, government and other customers.
Source: District.

The District does not incorporate projected increases in connections in its financial projections because there are limited opportunities for development within the Wastewater System service area. However, several years ago, the Laguna Hills Mall was purchased by a private developer with the intent of redeveloping the property into a mixed use development that may incorporate as many as 1,500 new residences along with new shopping and other amenities. There has not yet been an approved development plan or timeline for this project and, therefore, the District has not included any portion of this potential development into the projected

number of connections. If the development does occur largely as currently conceived, in the next three to five years, the District could realize an over 10% increase in connections (up to 1,500 proposed residences / 10,000 current connections) along with significant revenue from the associated Water and Wastewater Capital Facility fees. See the captions “THE WATER SYSTEM—Water System Rates and Charges—Connection Fees” and “—Wastewater System Rates and Charges—Connection Fees.”

Projected Wastewater System Usage

The following table shows the volume of wastewater that is projected to be treated by the Wastewater System for the current and next four Fiscal Years, including wastewater that is projected to be treated to tertiary levels and sold as recycled water.

Table 24
El Toro Water District
Projected Wastewater System Usage

<i>Fiscal Year</i>	<i>Daily Average Flow (mgd)</i>	<i>% Increase/(Decrease)</i>
2022	3.7	2.78%
2023	3.7	0.00
2024	3.7	0.00
2025	3.7	0.00
2026	3.7	0.00

Source: District.

Wastewater System usage is affected by a number of factors, including but not limited to the number of connections to the Wastewater System and water conservation efforts.

Projected Recycled Water Sales

The following table shows the projected volume of recycled water sales for the current and next four Fiscal Years.

Table 25
El Toro Water District
Projected Recycled Water Sales in Acre Feet

<i>Fiscal Year</i>	<i>Recycled Water Sales</i>	<i>% Increase/(Decrease)</i>
2022	1,485	(5.65)%
2023	1,485	0.00
2024	1,485	0.00
2025	1,485	0.00
2026	1,485	0.00

Source: District.

Recycled water sales are affected by a number of factors, including but not limited to the amount of winter precipitation received.

Projected Wastewater System Service Charge Revenues

The following table shows projected service charge revenues of the Wastewater System for the current and next four Fiscal Years.

Table 26
El Toro Water District
Projected Wastewater System Service Charge Revenues

<i>Fiscal Year</i>	<i>Residential Customers</i>	<i>Commercial Customers</i>	<i>Other Customers⁽¹⁾</i>	<i>Recycled Water Customers</i>	<i>Total</i>	<i>Percentage Increase/ (Decrease)</i>
2022	\$7,762,602	\$1,771,073	\$317,862	\$2,331,232	\$12,182,769	5.97%
2023	8,055,979	1,843,621	330,346	2,428,600	12,658,546	3.91
2024	8,389,303	1,920,005	344,018	2,538,100	13,191,426	4.21
2025	8,689,365	1,989,336	356,282	2,649,900	13,684,883	3.74
2026	9,001,031	2,059,267	369,066	2,748,200	14,177,564	3.60

Source: District.

Wastewater service charge revenues and recycled water revenues are affected by a number of factors, including the number of connections, precipitation levels, rates and charges and drought conditions. See the captions “—Projected Wastewater System Connections,” “—Wastewater System Rates and Charges” and “THE WATER SYSTEM—Drought Declarations.”

As discussed under the caption “—Wastewater System Rates and Charges, the above projections assume the following for Fiscal Years 2023 through 2026: (i) sewer service rate increases of approximately 3.38% per annum; (ii) sewer service capital replacement and refurbishment rate increases of approximately 5.96% per annum; (iii) recycled water service rate increases of approximately 4.50% per annum; and (iv) recycled water service capital replacement and refurbishment rate increases of approximately 9.01% per annum. None of such rate increases have been approved. All rate adjustments are subject to Board approval after a public hearing in accordance with Proposition 218 and there can be no assurance that Wastewater System rates will be increased as projected herein. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

FINANCIAL INFORMATION

Available Cash

As of June 30, 2021, the District had approximately \$19,949,663 in available cash and investments, including \$2,273,045 in restricted cash that will no longer be restricted when the obligations that are described under the caption “REFUNDING PLAN” are prepaid. The District has an internal policy approved by the District Board that designates a portion of the cash and investments of the District as reserves. These designated reserves total \$8.5 million and are described in detail under the caption “THE DISTRICT—Governance and Management—Management Policies—Cash Reserve Policy.”

Historical Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Water System and Wastewater System for the last five Fiscal Years. These results have been derived from the audited financial statements of the District but exclude certain receipts which are not included as Revenues under the Installment Purchase Agreement and certain non-cash items and include certain other adjustments.

Table 27
El Toro Water District
Historical Operating Results and Debt Service Coverage
Fiscal Year Ended June 30

	2017	2018	2019	2020	2021
Revenues					
Water Consumption Sales	\$ 8,635,462	\$ 9,459,453	\$ 8,474,791	\$ 8,705,986	\$ 9,571,562
Water Service Charges	4,177,505	4,325,454	4,623,068	4,977,611	5,070,326
Sewer Service Charges ⁽¹⁾	10,759,981	11,085,710	10,955,238	11,044,342	11,496,657
Standby Charges	1,525	418	247	63	-
Reimbursements from Others ⁽²⁾	331,179	403,445	383,810	328,310	401,225
Property Taxes	888,973	927,672	1,012,576	1,037,335	1,097,589
Rental Revenue	181,491	188,183	204,160	242,187	236,357
Investment Earnings	75,113	124,001	500,786	424,110	21,511
Other Nonoperating Revenue ⁽³⁾	152,710	59,653	910,351	40,917	42,826
Other Charges for Services	127,222	170,781	226,303	141,018	170,209
Total Revenues	\$ 25,331,161	\$ 26,744,770	\$ 27,291,330	\$ 26,941,879	\$ 28,108,262
Operation and Maintenance Costs					
Source of Supply	\$ 7,435,534	\$ 8,294,019	\$ 7,650,468	\$ 8,085,299	\$ 8,763,806
Pumping	1,460,096	1,491,273	1,480,556	1,371,076	1,417,215
Treatment	3,380,526	3,567,648	3,744,102	3,751,703	3,951,679
Transmission and Distribution	5,037,124	5,035,094	4,561,123	5,147,914	5,458,122
Customer Service	694,479	686,217	720,714	602,925	533,039
General and Administrative ⁽⁴⁾	3,211,224	2,994,180	3,392,189	3,196,603	3,159,403
Total Operation and Maintenance Costs	\$ 21,218,983	\$ 22,068,431	\$ 21,549,152	\$ 22,155,520	\$ 23,283,264
Net Revenues	\$ 4,112,178	\$ 4,676,339	\$ 5,742,178	\$ 4,786,359	\$ 4,824,998
Debt Service					
North Line State Loan	\$ 258,146	\$ 258,146	\$ 258,146	\$ 258,146	\$ 258,146
Recycle Phase I State Loan	1,602,958	1,602,958	1,602,958	1,602,958	1,602,958
2016 ISA	-	684,262	684,262	684,262	684,262
Recycle Phase II State Loan	-	-	-	409,049	409,049
Total Debt Service	\$ 1,861,104	\$ 2,545,366	\$ 2,545,366	\$ 2,954,415	\$ 2,954,415
Debt Service Coverage	2.21	1.84	2.26	1.62	1.63
Remaining Revenues	\$ 2,251,074	\$ 2,130,973	\$ 3,196,812	\$ 1,831,944	\$ 1,870,583

⁽¹⁾ Includes recycled water sales revenues.

⁽²⁾ Includes rebates for recycled water from MWD under its Local Resources Program, as well as charges for the use of District facilities by MNWD and SMWD.

⁽³⁾ Fiscal Year 2019 amount includes one-time refund of amounts previously paid by the District to SOCWA for capital projects that were not undertaken.

⁽⁴⁾ The amounts in this line item differ from the District's audited financial statements because non-cash accounting charges associated with post-employment benefits have been removed. See the caption "—Employee Benefits—Other Post-Employment Benefits."

Source: District.

Projected Operating Results and Debt Service Coverage

Estimated projected operating results for the Water System and Wastewater System for the current and next four Fiscal Years, reflecting certain significant assumptions concerning future events and circumstances (including those set forth in the footnotes to the table and the projected impacts of the COVID-19 pandemic as discussed under the caption "THE DISTRICT—COVID-19 Outbreak"), are set forth below. All of such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Table 28
El Toro Water District
Projected Operating Results and Debt Service Coverage
Fiscal Year Ending June 30

	2022 ⁽¹⁾	2023 ⁽²⁾	2024 ⁽²⁾	2025 ⁽²⁾	2026 ⁽²⁾
Revenues					
Water Consumption Sales ⁽³⁾	\$ 9,243,400	\$ 9,593,600	\$ 9,973,000	\$ 10,352,400	\$ 10,673,400
Water Service Charges ⁽³⁾	5,498,100	5,696,000	5,942,400	6,199,700	6,454,900
Sewer Service Charges ⁽⁴⁾	12,182,769	12,658,546	13,191,426	13,684,883	14,177,564
Standby Charges	-	-	-	-	-
Reimbursements from Others ⁽⁵⁾	326,600	326,600	326,600	326,600	326,600
Property Taxes ⁽⁶⁾	1,111,800	1,134,000	1,156,700	1,179,900	1,203,400
Rental Revenue ⁽⁷⁾	235,000	235,000	235,000	235,000	235,000
Investment Earnings ⁽⁸⁾	100,000	180,000	225,000	235,000	235,000
Other Nonoperating Revenue ⁽⁹⁾	20,000	20,000	20,000	20,000	20,000
Other Charges for Services ⁽⁹⁾	188,500	188,500	188,500	188,500	188,500
Total Revenues	\$ 28,906,169	\$ 30,032,246	\$ 31,258,600	\$ 32,421,983	\$ 33,514,364
Operation and Maintenance Costs					
Source of Supply ⁽¹⁰⁾	\$ 8,390,900	\$ 8,735,000	\$ 9,141,800	\$ 9,530,300	\$ 9,845,700
Pumping ⁽¹¹⁾	1,659,900	1,722,700	1,788,000	1,856,000	1,926,700
Treatment ⁽¹²⁾	4,199,100	4,338,000	4,482,000	4,631,300	4,785,800
Transmission and Distribution ⁽¹³⁾	4,643,900	4,810,600	4,983,800	5,163,900	5,351,100
Customer Service ⁽¹⁴⁾	346,100	360,000	374,300	389,300	404,900
General and Administrative ⁽¹⁵⁾	4,440,500	4,595,800	4,755,500	4,905,100	5,074,200
Total Operation and Maintenance Costs	\$ 23,680,400	\$ 24,562,100	\$ 25,525,400	\$ 26,475,900	\$ 27,388,400
Net Revenues	\$ 5,225,769	\$ 5,470,146	\$ 5,733,200	\$ 5,946,083	\$ 6,125,964
Debt Service					
North Line State Loan ⁽¹⁶⁾	\$ 258,146	\$ -	\$ -	\$ -	\$ -
Recycle Phase I State Loan ⁽¹⁶⁾	1,602,958	-	-	-	-
2016 ISA	684,262	684,262	684,262	684,262	684,262
Recycle Phase II State Loan ⁽¹⁶⁾	409,049	-	-	-	-
Bonds*	-	3,370,750	3,148,400	3,149,000	3,152,200
Total Debt Service*	\$ 2,954,415	\$ 4,055,012	\$ 3,832,662	\$ 3,833,262	\$ 3,836,462
Debt Service Coverage*	1.77	1.35	1.50	1.55	1.60
Remaining Revenues*	\$ 2,271,354	\$ 1,415,134	\$ 1,900,538	\$ 2,112,821	\$ 2,289,502

(1) Reflects budgeted amounts with certain adjustments.

(2) As the part of the development of its budget each year, the District prepares a ten year financial projection that includes a cash flow and debt service coverage analysis. The projected operating results for Fiscal Years 2023 through 2026 are derived from the District's ten year financial projection developed in spring 2021.

(3) Based on an analysis of the cost to the District to purchase water from MWD and the Baker WTP. The District utilizes MWD's ten year forecasted rate for treated and untreated water as well as a projected cost for water purchases from the Baker WTP to project its tiered rates for Water Supply, which are the basis for Water Sales. Assumes rate increases of approximately 4.50% per annum for Operation and Maintenance Costs and approximately 9.01% per annum for capital replacements and refurbishments in Fiscal Years 2023 through 2026 which have not yet been adopted. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that the rate increases which are projected herein will be approved. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

(4) Includes projected revenues from wastewater service and recycled water sales. Assumes the following for Fiscal Years 2023 through 2026: (i) sewer service rate increases of approximately 3.38% per annum; (ii) sewer service capital replacement and refurbishment rate increases of approximately 5.96% per annum; (iii) recycled water service rate increases of approximately 4.50% per annum; and (iv) recycled water service capital replacement and refurbishment rate increases of approximately 9.01% per annum. None of such rate increases have been approved. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that the rate increases which are projected herein will be approved. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

(5) Includes projected rebates for recycled water from MWD under its Local Resources Program, as well as projected charges for the use of District facilities by MNWD and SMWD. Projected to remain at Fiscal Year 2022 budgeted amount.

* Preliminary; subject to change.

- (6) Projected to increase by approximately 2% per annum.
- (7) Projected to remain at Fiscal Year 2022 budgeted amount.
- (8) Reflects projected interest on reserves as well as the application of reserves to capital projects.
- (9) Projected to remain at Fiscal Year 2022 budgeted amount.
- (10) Projected to increase by between 3.3% and 4.7% per annum.
- (11) Projected to increase by approximately 3.8% per annum.
- (12) Projected to increase by approximately 3.3% per annum.
- (13) Projected to increase by approximately 3.6% per annum.
- (14) Projected to increase by approximately 4% per annum.
- (15) Projected to increase by approximately 3.5% per annum.
- (16) These obligations are expected to be paid in full from proceeds of the Bonds. See the caption "REFUNDING PLAN."

Source: District.

Employee Benefits

No Defined Benefit Pension Obligations. The District is not a participant in the California Public Employees Retirement System or any other defined benefit pension plan and does not offer pension benefits to employees.

Defined Contribution and Deferred Compensation Plans. The District contributes to the El Toro Water District Retirement Savings Plan and Trust (the "**Retirement Plan**"), which is a qualified defined contribution pension plan under Section 401(k) of the Internal Revenue Code. The Retirement Plan is administered by the District. In addition, the District offers a deferred compensation plan under Internal Revenue Code Section 457.

The District has little administrative involvement and does not perform the investing function for the Retirement Plan, and the assets and related liabilities of the Retirement Plan are not presented in the District's financial statements, all in accordance with GAAP.

By Board policy, the District may contribute a matching amount equal to 75% of each participant's total contributions to either the Retirement Plan or the Section 457 plan, up to 10% of each participant's annual compensation. The employee can choose whether the District's contributions are deposited to the Retirement Plan or the deferred compensation plan.

In addition, the District contributes an amount equal to 9% of compensation for a Retirement Plan year for all qualified participants regardless of whether they are an employee on the last day of the Retirement Plan year and regardless of whether they made any salary deferrals to the Retirement Plan. Employees are immediately vested in their employer contributions.

District contributions to the Retirement Plan were \$972,682, \$951,660 and \$920,220 as of June 30, 2021, June 30, 2020 and 2019, respectively.

Other Post-Employment Benefits. The District administers a single employer defined benefit healthcare plan which provides medical and prescription drug coverage to eligible retirees and their spouses. As of June 30, 2021, 22 District retirees and covered dependents received such post-employment benefits and 19 active employees met the eligibility requirements for such post-employment benefits.

For the measurement periods ended June 30, 2021 and June 30, 2020, the District contributed \$311,125 and \$287,171, respectively, to pay post-employment benefits for eligible retirees. District contributions are made on a pay-as-you-go basis and include an implied subsidy as determined by an actuary (as discussed below).

Governmental Accounting Standards Board Statement No. 75 ("**GASB 75**") requires governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District, to account for and report such outstanding obligations and commitments in essentially the same manner as for pensions. While requiring the District to disclose the unfunded actuarial accrued liability and the annual required contribution

(the actuarial value of benefits earned during a Fiscal Year plus costs to amortize the unfunded actuarial accrued liability, or “OPEB ARC”) in its financial statements, GASB 75 does not require the District to fund the OPEB ARC.

In 2021, the District engaged an actuarial consultant (the “**Consultant**”) to calculate the District’s post-employment benefits current funding status. The Consultant’s report concluded that: (i) the District’s actuarial accrued liability for post-employment benefits based upon a 2.21% discount rate was \$19,149,868 as of June 30, 2020; and (ii) the unfunded actuarial accrued liability was \$19,149,868 as of June 30, 2020.

GASB 75 requires that a valuation of the District’s post-employment benefit liability include the value of the “implied subsidy” of older retired participants by a younger active workforce in a pooled rate medical plan. For Fiscal Year 2021, the actuarially determined value of the implied subsidy was \$1,769,522.

Changes in the net liability for the District’s post-employment benefit plan were as follows.

**El Toro Water District
Changes in Post-Employment Benefit Plan Liability**

	<i>Increase/(Decrease)</i>			
	<i>Total Post-Employment Benefit Plan Liability</i>	<i>Post-Employment Benefit Plan Fiduciary Net Position</i>	<i>Net Post- Employment Benefit Plan Liability/(Asset)</i>	<i>Funded Percentage⁽¹⁾</i>
Balance at June 30, 2019	\$16,843,879	\$0	\$16,843,879	0.00%
Balance at June 30, 2020	<u>19,149,868</u>	<u>0</u>	<u>19,149,868</u>	0.00
Net Changes for period from July 1, 2019 through June 30, 2020	\$ 2,305,989	\$0	\$ 2,305,989	

⁽¹⁾ The District funds post-employment benefits on a pay-as-you-go basis.
Source: District.

The following table presents the net liability of the District’s post-employment benefits plan, calculated using the discount rate applicable to Fiscal 2021 (2.21%), as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the Fiscal Year 2021 rate:

**El Toro Water District
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1% Decrease (1.21%)</i>	<i>Applicable Discount Rate (2.21%)</i>	<i>Discount Rate + 1% Increase (3.21%)</i>
Net Liability/(Asset)	\$22,705,271	\$19,149,868	\$16,337,176

Source: 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.

The District's projections of Operation and Maintenance Costs under the caption "—Projected Operating Results and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the District's annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the District to pay the Series 2022 Installment Payments.

See Note 7 to the District's Financial Statements set forth in Appendix A for further information with respect to post-employment benefits.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The District is of the opinion that its charges for the Service do not exceed the costs that it reasonably bears in providing such Service and therefore are not subject to the limits of Article XIII B. See the caption "SECURITY FOR THE BONDS—Rate Covenant" for a description of the District's covenant to set rates and charges for the Service.

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the "Title and Summary" of the Initiative prepared by

the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIIIID. Article XIIIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIIIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIIIID requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for water service and wastewater service are a “fee” or “charge” as defined in Article XIIIID, the local government’s ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIIIID includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. District of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIIIID did not apply to charges for water and wastewater services that are “primarily based on the amount consumed” (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “**Bighorn Case**”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The State Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. District of Los Angeles* that metered water rates are not subject to Proposition 218. The District complies with the notice, hearing and protest procedures in Article XIIIID, as further explained by the State Supreme Court in the *Bighorn Case*, with respect to water and wastewater rate increases.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. District of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”) upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage, including the capital costs of improvements to provide additional increments of water. The opinion included a finding that the City of San Juan Capistrano did not make any attempt to calculate the actual costs of providing water at various tier levels. The District’s current residential water rate structure includes tiered rates based on usage. The District has reviewed the *SJC Case* decision and does not expect the decision to affect its rate structure. The District believes that its current water rates comply with the requirements of Proposition 218 because they are tied to the cost of service and capital improvements, and expects that any future water rate increases will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Article XIIIIC. Article XIIIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of

initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIII C does not define the terms “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIII D referred to above are applicable to Article XIII C. On July 24, 2006, the State Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C applied to rates and fees charged for domestic water use. In the decision, the State Supreme Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (9 Cal. 5th 1105 (2020)) holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum, and the District does not believe that Article XIII C grants to the voters within the District the power (whether by initiative under Article XIII C or otherwise, or by referendum, which is not authorized under Article XIII C) to repeal or reduce rates and charges for the Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the System. California Government Code Section 5854, a provision of the Proposition 218 Omnibus Implementation Act of 1997 states: “Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.” However, no court has yet applied that statute and there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the Bonds. Remedies that are available to Beneficial Owners of the Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) 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; (b) 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; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The District believes that its water and wastewater rates and charges meet the exception that is described in clause (g) above and are not taxes under Proposition 26.

Future Initiatives

Articles XIII B, XIII C and XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

CERTAIN RISKS TO BONDHOLDERS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.

Limited Obligations

The obligation of the District to pay the Series 2022 Installment Payments is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except Revenues of the System. The obligation of the District to pay the Series 2022 Installment Payments does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

Accuracy of Assumptions

To estimate the Net Revenues available to pay the Series 2022 Installment Payments, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District and increases in revenues resulting therefrom, the rates and charges to be imposed in future years, the expenses associated with operating the System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the Series 2022 Installment Payments will, in all likelihood, be less than those projected herein. The District may choose, however, to maintain compliance with the rate covenant that is set forth in the Indenture in part by means of contributions from available reserves or resources. In such event, Net Revenues may generate amounts which are less than 110% of Debt Service in any given Fiscal Year. See the captions "SECURITY FOR THE BONDS—Rate Covenant" and "FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage."

System Demand

There can be no assurance that the demand for water service, recycled water service or sanitary sewer service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE BONDS—Rate Covenant." Demand for water service, recycled water service or sanitary sewer service could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District's service area, hydrological conditions, an economic downturn (including as a result of the COVID-19 outbreak that is discussed under the caption "THE DISTRICT—COVID-19 Outbreak"), voluntary conservation efforts or mandatory State conservation orders in response to drought conditions and other factors.

System Expenses

There can be no assurance that the District's expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to post-employment benefit liabilities and the costs of retaining qualified personnel with the proper certifications to operate System facilities), water and wastewater treatment costs, energy costs, regulatory compliance costs, increased imported water purchase costs (including as a result of drought restrictions) and other factors.

Much of the District's water supply is sold to the District by MWDOC, which in turn purchases a large portion of its water from MWD. Increases in MWDOC or MWD costs or changes in such agencies' operations over which the District has no control could impact the District's cost of water to supply its customers. See the caption "THE WATER SYSTEM—Water Supply—Imported Water." In addition, continued drought conditions and State or federal orders in response thereto could increase the cost of water for MWD and/or MWDOC, which increases would be expected to be passed on to the District. See the caption "THE WATER SYSTEM—Drought Declarations." Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE BONDS—Rate Covenant." Rate increases are subject to the provisions of Proposition 218 and there can be no assurance that the District will be able to increase rates as needed to address increases in System expenses. See the caption "—Rate-Setting Process under Proposition 218."

Limited Recourse on Default

If the District defaults on its obligation to pay the Series 2022 Installment Payments, the Trustee, as assignee of the Authority, has the right to declare the total unpaid principal amount of the Series 2022 Installment Payments, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient funds to pay such accelerated amounts from Net Revenues.

Rate-Setting Process under Proposition 218

Proposition 218, which added Articles XIIC and XIID to the State Constitution, affects the District's ability to maintain existing System rates and impose rate increases, and no assurance can be given that future proposals to increase System rates will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed System rate increases cannot be imposed as a result of majority protest or initiative, the District might thereafter be unable to generate Net Revenues in the amounts required by the Installment Purchase Agreement to pay the Series 2022 Installment Payments. The District believes that its current System rates approved by the Board were effected in accordance with the public hearing and majority protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

Statutory and Regulatory Compliance

Laws and regulations governing the treatment and delivery of water and the treatment and disposal of wastewater are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems and wastewater systems such as those operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. No assurance can be given that the cost of compliance

with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay the Bonds.

Natural Disasters

The occurrence of any natural disaster in the District, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, could have an adverse material impact on the economy within the District and the revenues available for the payment of the Bonds and result in substantial damage to and interference with the operations of the System.

Significant earthquake faults are located in the region surrounding the District. See the caption “THE DISTRICT—Seismic Considerations.” Seismic activity could subject areas near the District’s service area to widespread flooding in the event of a failure of Santiago Dam. See the caption “THE WATER SYSTEM—Water Supply—Local Water.”

The Installment Purchase Agreement does not require the District to maintain earthquake insurance and the District may elect at any time to discontinue the limited earthquake insurance that it currently maintains. The District maintains liability insurance for the System and property casualty insurance (including limited earthquake coverage) for certain portions of the System. See the caption “THE DISTRICT—District Insurance.” However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the System, including underground pipelines, are not covered by property casualty insurance. Damage to such portions of the System as a result of natural disasters would result in uninsured losses to the District.

Limitations on Remedies

The ability of the District to comply with its covenants under the Installment Purchase Agreement and to generate Net Revenues in amounts that are sufficient to pay the Series 2022 Installment Payments may be adversely affected by actions and events that are outside of the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Furthermore, the remedies that are available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may 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 serving a significant and legitimate public purpose. Bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium proceedings and other laws relating to or affecting creditors’ rights, or the exercise of powers by the federal or State government, if initiated, could subject the Beneficial Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited because the System serves an essential public purpose.

The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See Appendix C. In the event that the District fails to comply with its covenants under the Installment Purchase Agreement or fails to pay the Series 2022 Installment Payments, which secure the payments of principal of and interest on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority and the District have covenanted in the Indenture and the Installment Purchase Agreement, respectively, to comply with the applicable requirements of the Code, and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds thereunder. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the Authority or the District in violation of this or other covenants in the Indenture or the Installment Purchase Agreement. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See the caption “TAX MATTERS.”

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds 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 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.

Parity Obligations

The Installment Purchase Agreement permits the District to enter into Parity Bonds and Contracts payable from Net Revenues on a parity with the Series 2022 Installment Payments, which secure the Bonds, subject to the terms and conditions set forth therein. The entry into of Parity Bonds and Contracts could result in reduced Net Revenues available to pay the Series 2022 Installment Payments. The District has covenanted to maintain coverage of at least 110% of Debt Service, as further described under the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the District is difficult to predict, but it could be significant and it could have a material adverse effect on the System’s finances by requiring greater expenditures to counteract the effects of climate change, by changing the business and activities of System customers or by increasing the cost or decreasing the availability of water supplies from MWD and/or MWDOC. See the captions “—System Expenses” and “THE WATER SYSTEM—Drought Declarations.”

Cyber Security

The District relies on computers and technology to conduct its operations. The District and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers, an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal and an attack on a water treatment facility in Oldsmar, Florida.

Beginning in 2015, the District has developed and implemented a robust multi-layered cyber security program that includes well-configured firewalls, regular datacenter hardware/software updates, anti-virus software, anti-spam/malware filters, intrusion protection, intrusion detection, log monitoring, zero-trust model information technology configuration policies, employee education and training and other security measures. The District also contracts with third party vendors to perform external audits of its network and to constantly monitor internal network traffic using artificial intelligence to detect anomalies and provide the District with a virtual Security Operations Center. If an anomaly is detected, this third party vendor will alert District Information Technology staff to investigate, and will assist with any remediation and recovery if necessary. The District regularly performs cybersecurity training and alerts for staff and conducts regular simulated phishing campaigns for employee education purposes.

Since implementation of its cybersecurity program, the District has not experienced a successful attack against its network or servers leading to any data exposure or loss or service downtime. However, there can be no definitive assurance that a future attack or attempted attack would not result in disruption of District operations as cybersecurity is a quickly changing landscape with new vulnerabilities being discovered almost daily. The District expects that any such disruptions would be temporary in nature due to its backup/restore procedures and disaster recovery planning.

Rate Covenant Not a Guarantee

The Series 2022 Installment Payments, which secure the Bonds, are payable from Net Revenues of the System. See the caption “SECURITY FOR THE BONDS.” The District’s ability to pay the Series 2022 Installment Payments depends on its ability to generate Net Revenues at the levels required by the Installment Purchase Agreement. Although the District has covenanted in the Installment Purchase Agreement to impose rates and charges as more particularly described under the caption “SECURITY FOR THE BONDS—Rate Covenant,” and although the District expects that sufficient Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the Series 2022 Installment Payments. Among other matters, the availability of and demand for water and wastewater service and changes in law and government regulations could adversely affect the amount of Revenues realized by the District. The failure to generate sufficient Revenues to pay the Series 2022 Installment Payments does not constitute a default or Event of Default under the Installment Purchase Agreement or the Indenture, provided that the District has set rates and charges at levels that it reasonably expects will generate sufficient Revenues at the beginning of each Fiscal Year.

THE AUTHORITY

The Authority is a public body that is duly organized and existing under the Joint Exercise of Powers Agreement, dated as of February 1, 2022 (the “**JPA Agreement**”), by and between the District and the California Statewide Communities Development Authority (“**CSCDA**”), and under the Constitution and laws of the State. The Authority was formed for the purpose of assisting in the financing and refinancing of capital improvement projects of the District and related entities and to finance working capital for the District by exercising the powers referred to in the JPA Agreement, including the power to issue bonds to pay the costs of public improvements. Neither the District nor CSCDA is responsible for repayment of the obligations of the other. The members of the Board of Directors of the Authority are the members of the District Board.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is set forth in Appendix C, and such legal opinion will be attached to each Bond. Certain matters will be passed upon for the District and the Authority by Redwine & Sherrill, LLP, as General

Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by its counsel, Katten Muchin Rosenman LLP, and for the Trustee by its counsel.

LITIGATION

District

General. At the time of delivery of and payment for the Bonds, the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds or the application of the proceeds thereof in accordance with the Installment Purchase Agreement and the Indenture, or that could have a material adverse effect on the District's ability to pay the Series 2022 Installment Payments, in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Purchase Agreement or any action of the District contemplated by any of said documents, in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

Water Rate Litigation. On February 19, 2020, a class action complaint and petition for writ of mandate (collectively, the “**Water Rate Complaint**”) was filed in the matter of *Kessner et al. v. City of Santa Clara et al.* in the Superior Court of California, County of Santa Clara (the “**Court**”), on behalf of 81 purported customer classes (collectively, “**Plaintiffs**”), challenging the rates of 82 public water suppliers, including the District. The Water Rate Complaint alleges that the named defendants and respondents (collectively, “**Defendants**”) unlawfully set water rates for retail customers that exceed the cost of service, in violation of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of Proposition 218.

As pertinent to the District, Plaintiffs are challenging Defendants’ retail water rates on the ground that they allegedly subsidize water service provided for general governmental purposes, including “subsidized public fire hydrant service.”

Plaintiffs filed a Petition to Coordinate the Water Rate Complaint with other Proposition 218 cases against water agencies in California. On October 19, 2020, the Court denied the Petition. The Court has held multiple Case Management Conferences and has ordered a preliminary set of briefing on issues of venue, jurisdiction and joinder and has ordered the parties to meet and confer while keeping the discovery stay in place. A hearing on issues of venue, jurisdiction and joinder occurred on May 20, 2021. Certain Defendants subsequently filed a demurrer or, in the alternative, motion to sever and transfer venue. The Superior Court sustained the demurrer and provided Plaintiffs leave to amend.

The District was served with Plaintiffs’ Second Amended Complaint in June 2021. The Second Amended Complaint makes additional allegations and further alleges that water budget-based rates structures violate Proposition 218. Certain Defendants again filed a demurrer or, in the alternative, motion to sever and transfer venue. Additionally, certain Defendants have filed a demurrer asserting that Plaintiffs have failed to exhaust administrative remedies.

The Court issued a December 30, 2021 order sustaining the District’s demurrer on the basis of misjoinder of parties, directing counsel for the District to prepare a judgment of dismissal. Thereafter, Plaintiffs’ counsel invited a settlement by which such a judgment would enter, Plaintiffs would forego appeal, and the District would waive its claim to a few thousand dollars of costs. Settlement discussions continue, but the District expects the case to end shortly without a finding of liability. However, because the judgment was based on a procedural issue, not the merits, Plaintiffs will retain the right to bring a new suit against the

District without misjoining unrelated claims and parties and in the proper venue – Orange County Superior Court. The District cannot predict whether Plaintiffs will have the resources to do so or will do so or whether another party might renew these claims. Moreover, the District believes that its water rates were adopted in compliance with Proposition 218 and does not currently expect any renewed claim to have a material adverse effect on its ability to pay the Series 2022 Installment Payments.

The District notes that, in fall 2020, the Governor of California signed Senate Bill 1386 (“**SB 1386**”), which adds provisions to the California Government Code establishing that the costs of water service chargeable to property owners properly include the cost of infrastructure, e.g., fire hydrants, that provide fire protection for nearby property. Although the adoption of this law does not directly override Proposition 218, which is part of the State Constitution, the signing of SB 1386 into law is likely to assist the District’s defense of the Water Rate Complaint.

In addition, the State Legislature has adopted California Government Code Section 53759, effective as to water rates adopted after January 1, 2022, which imposes a 120-day statute of limitations on challenges to water rates. This provision is expected to reduce the risk of future water rate challenges.

Authority

At the time of delivery of and payment for the Bonds, the Authority will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds or the application of the proceeds thereof in accordance with the Installment Purchase Agreement and the Indenture, or that could have a material adverse effect on the Authority’s ability to pay the Bonds, in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Purchase Agreement or any action of the Authority contemplated by any of said documents, in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto or contesting the powers of the Authority or its authority with respect to the Bonds or any action of the Authority contemplated by any of said documents, nor to the knowledge of the Authority, is there any basis therefor.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel (“**Bond Counsel**”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority, the District and others and is subject to the condition that the Authority and the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the District have covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received with respect to the Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the District continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest (and original issue discount) on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Agreement, dated the date of issuance of the Bonds (the “**Continuing Disclosure Agreement**”), for the benefit of the Owners and Beneficial Owners of the Bonds, to provide certain financial information and operating data relating to the District by not later than each April 1 following the end of the District’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events; provided that the obligation to file the first Annual Report will be satisfied by the posting of this Official Statement on EMMA. The Annual Report and the notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

The District has not been subject to any continuing disclosure undertakings in the last five years. The District’s debt management policy includes continuing disclosure compliance policies and procedures. See the caption “THE DISTRICT—Governance and Management—Management Policies—Debt Management Policy.”

RATING

The District expects that S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“**S&P**”), will assign the Bonds the rating of “___”.

A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic that is described under the caption “THE DISTRICT—COVID-19 Outbreak,” could have an adverse impact on the ratings of the Bonds, and there is no assurance that any credit rating that is given to the Bonds will be maintained for any period of time or that the rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such qualification, downgrade, lowering or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The rating reflects only the views of S&P (which views and criteria could change at any time), and an explanation of the significance of the rating may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it (which may include information and material from the District that is not included in this Official Statement) and on investigations, studies and assumptions of its own.

The District has covenanted in the Continuing Disclosure Agreement to file notices of any rating changes on the Bonds with EMMA. See the caption “CONTINUING DISCLOSURE” and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to the time that such information is provided to the District and prior to the date by which the

District is obligated to file a notice of rating change. Purchasers of the Bonds are directed to S&P and its websites and official media outlets for the most current ratings with respect to the Bonds after the initial issuance of the Bonds.

In providing a rating on the Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Indenture or the Installment Purchase Agreement. The District and the Authority make no representations as to any such calculations, and such calculations should not be construed as a representation by the District or the Authority as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

MUNICIPAL ADVISOR

The District has retained NHA Advisors, LLC, San Rafael, California (the “**Municipal Advisor**”) as its municipal advisor in connection with the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained herein.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds are being purchased by BofA Securities, Inc. (the “**Underwriter**”) pursuant to a purchase agreement, dated the date hereof, by and among the Authority, the District and the Underwriter. The Underwriter will purchase the Bonds from the Authority at an aggregate purchase price of \$____, representing the principal amount of the Bonds, plus/less \$____ of net original issue premium/discount and less \$____ of Underwriter’s discount.

The Underwriter has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“**MLPF&S**”). As part of this arrangement, the Underwriter may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, the Underwriter may compensate MLPF&S as a dealer for its selling efforts with respect to the Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the District or the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District or the Authority.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the Bonds.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

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

EL TORO WATER DISTRICT FINANCING AUTHORITY

By: _____
Chair

EL TORO WATER DISTRICT

By: _____
General Manager

APPENDIX A
DISTRICT FINANCIAL STATEMENTS

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT PURCHASE AGREEMENT AND THE INDENTURE

The following is a summary of certain provisions of the Installment Purchase Agreement and the Indenture that are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the applicable document for a full and complete statement of the provisions thereof.

INSTALLMENT PURCHASE AGREEMENT

DEFINITIONS

Definitions. Unless the context otherwise requires, the terms that are defined in the Installment Purchase Agreement will for all purposes thereof and of any amendment thereof or supplement thereto and of any report or other document that is mentioned therein have the meanings that are defined therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms that are defined therein. All capitalized terms that are used in the Installment Purchase Agreement and not defined therein will have the meanings that are ascribed thereto in the Indenture.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition Fund. The term "Acquisition Fund" means the fund by that name established under the Installment Purchase Agreement.

Authority. The term "Authority" means El Toro Water District Financing Authority, a joint exercise of powers agency that is duly organized pursuant to the JPA Agreement and existing under and by virtue of the laws of the State of California.

Bonds. The term "Bonds" means all revenue bonds or notes of the District that are authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the Series 2022 Installment Payments and which are secured by a pledge of and lien on Revenues as described in the Installment Purchase Agreement.

Contracts. The term "Contracts" means the 2016 ISA and all other contracts of the District that are authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the Series 2022 Installment Payments and which are secured by a pledge and lien on Revenues as described in the Installment Purchase Agreement; but excluding contracts entered into for operation and maintenance of the System.

Debt Service. The term "Debt Service" means, for any period of calculation, the sum of: (i) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program); (ii) those portions of the principal amount of all outstanding serial Bonds maturing in such period; (iii) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and (iv) those portions of the Contracts that are required to be paid during such period (except to the extent that the interest that is evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program); but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts; provided

that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service will, for all purposes, be assumed to be a fixed rate equal to the higher of: (1) the then-current variable interest rate borne by such Bonds or Contract plus 1%; and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt for which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued; provided further that if any series or issue of such Bonds or Contracts have 25% or more of the aggregate principal amount of such series or issue due in any one year, Debt Service will be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 30 years from the date of calculation; and provided further that, as to any such Bonds or Contracts or portions thereof which bear no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount will be treated as interest in the calculation of Debt Service; and provided further that if the Bonds or Contracts constitute interest rate swap agreements or other paired obligations, the interest rate on such Bonds or Contracts will be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such paired obligations; and provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service will be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and, to the extent that the amount in such debt service reserve fund is in excess of such amount of principal, such excess will be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

District. The term “District” means El Toro Water District, a California Water District that is duly organized and existing under and by virtue of the laws of the State of California, including but not limited to Division 13 of the California Water Code.

Event of Default. The term “Event of Default” means an event that is described as such in the Installment Purchase Agreement.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve month period later selected and designated as the official fiscal year period of the District.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of the date of the Installment Purchase Agreement, by and between the Trustee and the Authority, relating to the 2022 Bonds.

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

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants that is appointed by the District, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; (3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of March 1, 2022, by and between the District and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

JPA Agreement. The term “JPA Agreement” means the Joint Exercise of Powers Agreement, dated as of February 1, 2022, by and between the District and California Statewide Communities Development Authority, pursuant to which the Authority is established.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year. When held by the Trustee in any funds or accounts established under the Installment Purchase Agreement, Net Revenues will include all interest or gain derived from the investment of amounts in any of such funds or accounts.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (1) costs spent or incurred for maintenance and operation of the System calculated in accordance with generally accepted accounting principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the System, including but not limited to salaries and wages of employees, payments for post-employment and/or retirement benefits, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2022 Bonds or of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (2) all payments under any contract for the purchase of water; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms of the Installment Purchase Agreement as provided therein.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name held by the District and established pursuant to the Installment Purchase Agreement.

Refunding Project. The term “Refunding Project” means the additions, betterments, extensions and improvements to the System, including real property and buildings, if any, which are described as such in the Installment Purchase Agreement.

Revenue Fund. The term “Revenue Fund” means, collectively, the Water Service Fund, Wastewater Service Fund and Recycled Water Fund maintained by the District into which Revenues are deposited, together with other accounts that may be created in the future and designated by action of the Board of Directors of the District as a part of the fund called “Revenue Fund” that has been established pursuant to the Installment Purchase Agreement.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the System, including, without limiting the generality of the foregoing: (1) all in lieu charges (including investment earnings thereon) collected by or on behalf of the District; (2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water and recycled water and the collection, treatment and disposal of wastewater or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the System; (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including District reserves; and (4) deposits to the Revenue Fund from amounts on deposit in the Rate Stabilization Fund in accordance with the Installment Purchase Agreement; but excluding in all cases: (i) any moneys transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with the Installment Purchase Agreement; (ii) all amounts reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program), to the extent that such amounts have been or will be deducted from the calculation of Debt Service; (iii) customers’ deposits or any other deposits or advances that are subject to refund until such deposits or advances have become the property of the District; and (iv) proceeds of taxes or benefit assessments restricted by law to be used by the District to pay amounts due on bonds or other obligations later incurred.

Series 2022 Installment Payment Date. The term “Series 2022 Installment Payment Date” means the 25th day of May and November of each year, commencing on ____ 25, 2022.

Series 2022 Installment Payments. The term “Series 2022 Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to the Installment Purchase Agreement.

Service. The term “Service” means the potable and recycled water distribution service and sanitary sewer collection, treatment and disposal service that is made available or provided by the System.

System. The term “System” means the whole and each and every part of the potable and recycled water distribution system and sanitary sewer collection, treatment and disposal system serving the District, whether owned or operated by the District or another party, including the portion thereof existing on the date of the Installment Purchase Agreement, and including all additions, betterments, extensions and improvements to such system or any part thereof later acquired or constructed.

Trustee. The term “Trustee” means U.S. Bank Trust Company, National Association, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

2016 ISA. The term “2016 ISA” means the Installment Sale Agreement, dated as of December 1, 2016, by and between the District and Sunflower Bank, N.A.

2022 Project. The term “2022 Project” means the additions, betterments, extensions and improvements to the System, including real property and buildings, if any, which are described as such in Installment Purchase Agreement.

2022 Bonds. The term “2022 Bonds” means El Toro Water District Financing Authority Water and Wastewater Revenue Bonds, Series 2022A issued pursuant to the Indenture.

ACQUISITION OF 2022 PROJECT AND REFUNDING PROJECT

Acquisition and Construction of the 2022 Project. The Authority has agreed to cause the 2022 Project, and any additions or modifications thereto, to be constructed, acquired or installed by the District as its agent, and the District will enter into contracts and provide for, as agent of the Authority, the complete acquisition of the 2022 Project. The District has agreed that it will cause the construction, acquisition and installation of the 2022 Project to be diligently performed after the deposit of funds with the District pursuant to the Indenture, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It has been understood and agreed that the Authority is under no liability of any kind or character whatsoever for the payment of any cost of the 2022 Project and that all such costs and expenses will be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Changes to the 2022 Project. The District may substitute other improvements for those listed as components of the 2022 Project in the Installment Purchase Agreement, but only if the District first files with the Trustee a statement of the District in the form set forth therein.

Sale and Purchase of Refunding Project. The District and the Authority have confirmed that the District currently has title to the Refunding Project. In consideration for the Authority’s assistance in refinancing the Refunding Project, the District has agreed to sell, and has sold, to the Authority, and the Authority has agreed to purchase and has purchased, from the District, the Refunding Project in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Purchase and Sale of Refunding Project. In consideration for the Series 2022 Installment Payments, the Authority has agreed to sell, and has sold, to the District, and the District has agreed to purchase, and has purchased, from the Authority, the 2022 Project and the Refunding Project at the purchase price that is specified in the Installment Purchase Agreement and otherwise in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Title. All right, title and interest in each component of the 2022 Project will vest in the District immediately upon acquisition or construction thereof. All right, title and interest in each component of the Refunding Project will vest in the District immediately upon execution and delivery of the Installment Purchase Agreement. Such vesting will occur without further action by the Authority or the District, and the Authority will, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Acquisition Fund. There has been established with the District a fund known as the "Acquisition Fund," which the District will maintain and hold in trust separate and apart from other funds held by it. The moneys in the Acquisition Fund will be applied to the payment of the costs of acquisition of the 2022 Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund, the General Manager of the District will cause to be filed with the Chief Financial Officer of the District a Written Requisition in the form set forth in the Installment Purchase Agreement. Upon receipt of such Written Requisition, the Chief Financial Officer of the District will pay the amount set forth therein. The Chief Financial Officer of the District need not make any such payment if he or she has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys so to be paid, which has not been released and will not be released simultaneously with such payment.

When the 2022 Project has been constructed and acquired in accordance with the Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), will be delivered to the Chief Financial Officer of the District and the Trustee by the General Manager of the District. Upon the receipt of such statement, the Chief Financial Officer of the District will transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount is certified to the Chief Financial Officer of the District by the General Manager of the District) to the Trustee, which will transfer such amounts to the Revenue Fund.

SERIES 2021 INSTALLMENT PAYMENTS

Purchase Price. The Purchase Price to be paid by the District under the Installment Purchase Agreement to the Authority is the sum of the principal amount of the District's obligations thereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date thereof over the term thereof, subject to prepayment as provided therein. The principal amount of the payments to be made by the District under the Installment Purchase Agreement is set forth therein. The interest to accrue on the unpaid balance of such principal amount is as specified in the Installment Purchase Agreement, and will be paid by the District as and constitute interest paid on the principal amount of the District's obligations thereunder.

Series 2022 Installment Payments. The District will, subject to its rights of prepayment provided in the Installment Purchase Agreement, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2022 Installment Payment Dates as set forth in the Installment Purchase Agreement.

Each Series 2022 Installment Payment will be paid to the Authority in lawful money of the United States of America. In the event that the District fails to make any of the payments which are required to be made by it under the Installment Purchase Agreement, such payment will continue as an obligation of the District until such amount has been fully paid, and the District has agreed to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2022 Installment Payments if paid in accordance with their terms.

SECURITY

Pledge of Revenues. The Revenues, other amounts that are on deposit in the Revenue Fund and any other amounts (including proceeds of the sale of the 2022 Bonds) which are held in any fund or account that is established pursuant to the Installment Purchase Agreement (including the Rate Stabilization Fund) are irrevocably pledged to

the payment of the Series 2022 Installment Payments. Except for the payment of the Operation and Maintenance Costs, the Revenues will not be used for any other purpose while any of the Series 2022 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement. The foregoing pledge constitutes a first lien on Revenues, the Revenue Fund, the Rate Stabilization Fund and the other funds and accounts that are created under the Installment Purchase Agreement for the payment of the Series 2022 Installment Payments and all other Contracts and Bonds in accordance with the terms thereof and of the Indenture.

Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the District has agreed and covenanted that all Revenues will be received by the District in trust thereunder and deposited when and as received in a special fund designated as the "Revenue Fund," which fund has been created and which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the District as provided in the Installment Purchase Agreement.

The District will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund will be set aside by the District at the following times in the following respective special funds in the following order of priority, and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the following purposes:

(a) Bond Payment Fund. On or before each Series 2022 Installment Payment Date, the District will, from remaining moneys in the Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund an amount that is equal to the interest and principal payable and coming due on the 2022 Bonds on the next succeeding Interest Payment Date. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

Any moneys which are on deposit in the Bond Payment Fund on each Series 2022 Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to any 2022 Bonds not presented for payment) will be credited to the payment of the Series 2022 Installment Payments due and payable on such date. No deposit need be made in the Bond Payment Fund as Series 2022 Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2022 Installment Payment that is due and payable on the next succeeding Series 2022 Installment Payment Date.

(b) Reserve Funds. On or before each Series 2022 Installment Payment Date, the District will, from remaining moneys in the Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to reserve funds or accounts established for Bonds or Contracts an amount that is equal to the amount required to be deposited therein.

(c) Surplus. Moneys on deposit in the Revenue Fund which are not necessary to make any of the payments which are required above may be expended by the District at any time for any purpose permitted by law, including but not limited to transfers to the Rate Stabilization Fund.

Investments. All moneys which are held by the District in the Revenue Fund, the Rate Stabilization Fund and the Acquisition Fund will be invested in Permitted Investments, and the investment earnings thereon will remain on deposit in such fund, except as otherwise provided in the Installment Purchase Agreement.

COVENANTS OF THE DISTRICT

Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2022 Installment Payments in strict conformity with the terms of the Installment Purchase Agreement, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained therein

which are required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2022 Project or the Refunding Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term which is contained therein and required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected therewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

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

Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund or the Rate Stabilization Fund except as provided in the Installment Purchase Agreement. In addition, the District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited in the Installment Purchase Agreement (as provided therein), provided that such pledge and lien is subordinate in all respects to the pledge of and lien thereon provided therein.

Against Sale or Other Disposition of Property. The District will not sell, lease, transfer, encumber or otherwise dispose of the System or any material portion thereof or enter into any agreement or lease which impairs the operation of the System or any part thereof which is necessary to secure adequate Revenues for the payment of the Series 2022 Installment Payments, or which would otherwise impair the rights of the Authority under the Installment Purchase Agreement or the operation of the System. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Series 2022 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

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

Against Competitive Facilities. The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system, recycled water system or sanitary sewer system competitive with the System.

Tax Covenants. Notwithstanding any other provision of the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the 2022 Bonds will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code which are necessary to preserve such exclusion from gross income with respect to the 2022 Bonds and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action and refrain from taking any action, and the District will make no use of the proceeds of the 2022 Bonds or of any other moneys or property, which would cause the 2022 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2022 Bonds or of any other amounts or property, regardless of the source, and the District will not take any action or refrain from taking any action, which will cause the 2022 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2022 Bonds, and the District will not take or omit to take any action, that would cause the 2022 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on the 2022 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2022 Bonds or any other amounts or property, regardless of the source, and the District will not take any action or refrain from taking any action, that would cause the 2022 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2022 Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2022 Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference in the Installment Purchase Agreement.

The foregoing tax covenants are not applicable to, and nothing that is contained in the Installment Purchase Agreement will be deemed to prevent the District from causing the Authority to issue revenue bonds or issuing bonds or executing and delivering contracts that are payable on a parity with the 2022 Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Maintenance and Operation of the System. The District will maintain and preserve the System in good repair and working order at all times, operate the System in an efficient and economical manner and pay all Operation and Maintenance Costs as they become due and payable.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created under the Installment Purchase Agreement or under the Indenture or on any funds in the hands of the District which are pledged to pay the Series 2022 Installment Payments or the Bonds, or which might impair the security of the Series 2022 Installment Payments.

Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, which are required to be performed by it contained in all contracts for the use of the System and all other contracts affecting or involving the System, to the extent that the District is a party thereto.

Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the System, excluding coverage for earthquake damage or destruction, with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with facilities that are similar to the System, so long as such insurance is available at reasonable rates.

In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the Net Proceeds thereof will be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the System. The District will begin such reconstruction, repair or replacement promptly after such damage or destruction occurs, and will continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and will pay out of such Net Proceeds all costs and expenses in connection with such

reconstruction, repair or replacement so that the same are completed and the System will be free and clear of all claims and liens. The District has covenanted to reconstruct, repair or replace the damaged or destroyed portions of the System promptly if a failure to reconstruct, repair or replace such portions would impair or adversely affect the ability of the District to pay the Series 2022 Installment Payments.

(b) The District will procure and maintain such other insurance which it deems advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with municipal water, recycled water and sanitary sewer systems similar to the System.

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

All policies of insurance which are required to be maintained by the Installment Purchase Agreement must provide that the Authority or its assignee be given 30 days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Annually on or before September 1 in each year, the Authority will provide the Trustee with a Certificate stating that the District is in full compliance with the foregoing insurance provisions. The Trustee is entitled to rely on any such Certificate as to the District's compliance with these provisions, and the Trustee has no further duties in that regard.

Accounting Records; Financial Statements and Other Reports.

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

(b) The District will prepare and file with the Authority or its assignee, annually within 270 days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2022) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. The Trustee has no obligation to review any such financial statements.

Protection of Security and Rights of the Authority. The District will preserve and protect the security of the Installment Purchase Agreement and the rights of the Authority to the Series 2022 Installment Payments thereunder and will warrant and defend such rights against all claims and demands of all persons.

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

Collection of Rates and Charges. The District will have in effect at all times bylaws, rules and regulations requiring each customer to pay the rates and charges applicable to the Service to such customer's land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the System, and such service may not thereafter be recommenced except in accordance with District bylaws or rules, regulations and the laws of the State of California governing such situations of delinquency.

Eminent Domain Proceeds. If all or any part of the System are taken by eminent domain proceedings, the Net Proceeds thereof will be applied either to additions, betterments, extensions or improvements to the System or,

if the District elects not to apply such Net Proceeds to such capital items or if such Net Proceeds are not fully expended for such purposes, such Net Proceeds which are not required by the District for such purposes will be deposited in the Revenue Fund.

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

Enforcement of Contracts. So long as any of the 2022 Bonds are outstanding, the District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or later entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2022 Bonds.

Continued Existence of Authority. The District and the Authority will take or cause to be taken all actions reasonably necessary to continue the Authority's existence until such time as the 2022 Bonds are no longer Outstanding under the Indenture.

PREPAYMENT OF SERIES 2021 INSTALLMENT PAYMENTS

Prepayment.

(a) The District may prepay the Series 2022 Installment Payments as a whole, or in part, on the 25th day of the month prior to ____ 1, 20__ or any date thereafter in the order of payment date as directed by the District, at a prepayment price equal to the principal amount of the Series 2022 Installment Payments to be prepaid, together with accrued interest thereon to the date of prepayment, without premium.

(b) Notwithstanding any such prepayment, the District will not be relieved of its obligations under the Installment Purchase Agreement until the Purchase Price has been fully paid (or provision for payment thereof has been provided to the written satisfaction of the Authority).

Method of Prepayment. Before making any prepayment pursuant to the Installment Purchase Agreement, the District will, within five days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date must be not less than 60 (or such shorter number of days as is acceptable to the Trustee) days from the date that such notice is given.

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Events of Default and Acceleration of Maturities. If one or more of the following Events of Default happen:

(a) if default is made by the District in the due and punctual payment of any Series 2022 Installment Payment or any Contract or Bond when and as the same becomes due and payable;

(b) if default is made by the District in the performance of any of the agreements or covenants which are required by the Installment Purchase Agreement to be performed by it, and such default has continued for a period of 60 days after the District has been given notice in writing of such default by the Authority; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such 60 day period, and corrective action is instituted by the District within such 60 day period and diligently pursued in good faith until the default is corrected, such default will not be an Event of Default under the Installment Purchase Agreement;

(c) if the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of

competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property; or

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

then and in each and every such case during the continuance of an Event of Default, the Authority will, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2022 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Installment Purchase Agreement to the contrary notwithstanding. The foregoing, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2022 Installment Payments and the accrued interest thereon have been so declared due and payable, but before any judgment or decree for the payment of the moneys due has been obtained or entered, the District deposits with the Authority an amount that is sufficient to pay the unpaid principal amount of the Series 2022 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2022 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2022 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate has been made therefor, then and in every such case the Authority, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in the Installment Purchase Agreement, all Revenues thereafter received by the District will be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and its assigns and thereafter to the Authority, as the case may be, in carrying out the default provisions of the Installment Purchase Agreement, including reasonable compensation to their respective accountants and counsel;

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

Third, to the payment, on a pro rata basis, of the entire principal amount of the unpaid Series 2022 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2022 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Other Remedies of the Authority. The Authority has the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his or her duties under the laws of the State of California and the agreements and covenants required to be performed by it or him or her contained in the Installment Purchase Agreement;

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

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

Notwithstanding anything contained in the Installment Purchase Agreement, the Authority has no security interest in or mortgage on the 2022 Project, the Refunding Project, the System or other assets of the District and no default thereunder will result in the loss of the 2022 Project, the Refunding Project, the System or other assets of the District.

Non-Waiver. Nothing in the Installment Purchase Agreement affects or impairs the obligation of the District, which is absolute and unconditional, to pay the Series 2022 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund, the Rate Stabilization Fund and the other funds therein pledged for such payment, or affects or impairs the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Installment Purchase Agreement.

A waiver of any default or breach of duty or contract by the Authority will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy that is conferred upon the Authority by the laws of the State of California or by the Installment Purchase Agreement may be enforced and exercised from time to time and as often as deemed expedient by the Authority.

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

Remedies Not Exclusive. No remedy that is conferred upon or reserved to the Authority in the Installment Purchase Agreement is intended to be exclusive of any other remedy, and each such remedy will be cumulative and in addition to every other remedy given thereunder or now or later existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the laws of the State of California or any other law.

DISCHARGE OF OBLIGATIONS

Discharge of Obligations. When:

(a) all or any portion of the Series 2022 Installment Payments have become due and payable in accordance with the Installment Purchase Agreement or a written notice of the District to prepay all or any portion of the Series 2022 Installment Payments has been filed with the Trustee; and

(b) there have been deposited with the Trustee at or prior to the Series 2022 Installment Payment Date or dates specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2022 Installment Payments, either: (i) sufficient moneys to pay all principal, prepayment premium, if any, and interest of such Series 2022 Installment Payments to their respective Series 2022 Installment Payment Dates; or (ii) a combination of sufficient cash and non-callable Permitted Investments that are described in clause (A) of the definition thereof, the principal of and interest on which Permitted Investments when due will provide (together with any cash) money that is sufficient in the opinion of an Independent Certified Public Accountant to pay all principal, prepayment premium, if any, and interest of such Series 2022 Installment Payments to their respective Series 2022 Installment Payment Dates; and

(c) provision has been made for paying all fees and expenses of the Trustee, then and in that event, the right, title and interest of the Authority in the Installment Purchase Agreement and the obligations of the District thereunder will, with respect to all or such portion of the Series 2022 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Series 2022 Installment Payments).

In such event, upon request of the District, the Trustee will cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and will execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee will pay over to the District, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Series 2022 Installment Payments, all such moneys or such Permitted Investments held by it pursuant to the Installment Purchase Agreement, other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Series 2022 Installment Payments, which moneys and Permitted Investments will continue to be held by the Trustee in trust for the payment of the Series 2022 Installment Payments and will be applied by the Trustee to the payment of the Series 2022 Installment Payments of the District.

MISCELLANEOUS

Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained in the Installment Purchase Agreement, expressed or implied, is intended to give to any person other than the District and the Authority any right, remedy or claim under or pursuant thereto, and any agreement or covenant that is required therein to be performed by or on behalf of the District or the Authority will be for the sole and exclusive benefit of the other party.

Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Authority is named or referred to in the Installment Purchase Agreement, such reference will be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Authority, and all agreements and covenants which are required thereby to be performed by or on behalf of the District or the Authority will bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Waiver of Personal Liability. No member, officer or employee of the District will be individually or personally liable for the payment of the Series 2022 Installment Payments, but nothing contained in the Installment Purchase Agreement will relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or thereby.

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

Assignment. The Installment Purchase Agreement and any rights thereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the District. In addition to the rights and remedies assigned by the Authority to the Trustee, to the extent that the Indenture and the Installment Purchase Agreement confer upon or give or grant to the Trustee any right, remedy or claim under or by reason of the Indenture or the Installment Purchase Agreement, the Trustee has been explicitly recognized as being a third party beneficiary under the Installment Purchase Agreement and may enforce any such right, remedy or claim conferred given or granted.

Net Contract. The Installment Purchase Agreement will be deemed and construed to be a net contract, and the District will pay absolutely net during the term thereof the Series 2022 Installment Payments and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

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

Effective Date. The Installment Purchase Agreement will become effective upon its execution and delivery, and will terminate when the Purchase Price has been fully paid (or provision for the payment thereof has been made to the written satisfaction of the Authority).

Indemnification of Authority. The District has agreed to indemnify and hold harmless the Authority and its assigns and its officers and directors if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties under the Installment Purchase Agreement and under the Indenture; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation under the Installment Purchase Agreement or under the Indenture by the Authority.

Amendments Permitted.

(a) The Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2022 Bonds and of the Trustee may be modified or amended at any time by an amendment thereto which will become binding upon the prior written consents of the Owners of a majority in aggregate principal amount of the 2022 Bonds then Outstanding, exclusive of 2022 Bonds disqualified as provided in the Indenture. No such modification or amendment may: (1) extend the fixed maturity of any 2022 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2021 Bond so affected; or (2) reduce the aforesaid percentage of 2022 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Installment Purchase Agreement prior to or on a parity with the lien created by the Installment Purchase Agreement except as permitted in the Installment Purchase Agreement, or deprive the Owners of the 2022 Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted in the Installment Purchase Agreement, without the consent of the Owners of all of the 2022 Bonds then Outstanding.

(b) The Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2022 Bonds may also be modified or amended at any time by an amendment thereto which will become binding upon adoption, without the consent of the Owners of any 2022 Bonds, but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the District contained in the Installment Purchase Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2022 Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the District; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Installment Purchase Agreement, or in regard to matters or questions arising under the Installment Purchase Agreement, as the District may deem necessary or desirable; and (3) to modify, amend or supplement the Installment Purchase Agreement in such manner as to cause interest on the 2022 Bonds to remain excludable from gross income under the Code. No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without the written consent thereto.

INDENTURE

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Definitions. Unless the context otherwise requires, the terms that are defined in the Indenture will, for all purposes of the Indenture and of any indenture supplemental thereto and of any certificate, opinion or other document therein mentioned, have the meanings therein specified, to be equally applicable to both the singular and plural forms of any of the terms therein defined. Unless the context otherwise requires, all capitalized terms that are used in the Indenture and not defined have the meanings that are ascribed thereto in the Installment Purchase Agreement.

Authority. The term “Authority” means the El Toro Water District Financing Authority, a public body that is duly organized and existing under the JPA Agreement, and under the Constitution and laws of the State of California.

Authority Revenues. The term “Authority Revenues” means: (a) all Series 2022 Installment Payments received by the Authority or the Trustee pursuant to or with respect to the Installment Purchase Agreement; and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture.

Authorized Representative. The term “Authorized Representative” means with respect to the Authority, its Chair, Vice Chair, Executive Director, Treasurer and Secretary, or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair, Vice Chair, Executive Director, Treasurer or Secretary and filed with the Trustee.

Bond Counsel. The term “Bond Counsel” means Stradling, Yocca, Carlson & Rauth, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Payment Fund. The term “Bond Payment Fund” means the fund by that name established pursuant to the Indenture.

Bond Year. The term “Bond Year” has the meaning that is given to such term in the Tax Certificate.

Bonds. The term “Bonds” means the Water and Wastewater Revenue Bonds, Series 2022A issued by the Authority and at any time Outstanding pursuant to the Indenture.

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

Certificate; Direction; Request; Requisition. The terms “Certificate,” “Direction,” “Request,” and “Requisition” of the Authority mean a written certificate, direction, request or requisition signed in the name of the Authority by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument will include the statements that are provided for in the Indenture.

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

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

Depository; DTC. The terms “Depository” and “DTC” mean The Depository Trust Company, New York, New York, a limited purpose trust company that is organized under the laws of the State of New York, in its capacity as securities depository for the Bonds.

District. The term “District” means the El Toro Water District, a California Water District that is duly organized and existing under and by virtue of the laws of the State, including but not limited to Division 13 of the California Water Code.

Event of Default. The term “Event of Default” means any of the events that are specified as such in the Indenture.

Federal Securities. The term “Federal Securities” means any direct, non-callable 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), or non-callable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Government Code. The term “Government Code” means the Government Code of the State.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of March 1, 2022, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

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

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of the date of the Indenture, by and between the Authority and the District, as amended from time to time.

Interest Account. The term “Interest Account” means the account by that name in the Bond Payment Fund established pursuant to the Indenture.

Interest Payment Date. The term “Interest Payment Date” means June 1 and December 1 of each year, commencing ____ 1, 20__.

Investment Agreement. The term “Investment Agreement” means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that any such Investment Agreement must: (i) be from a provider rated by S&P or Moody’s at “A-” or “A3”, respectively, or above; (ii) require the Authority or the District to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody’s falls to “BBB” or “Baa2”, respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the Bonds, together with such amendments as may be approved by the Authority and the Trustee from time to time.

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

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

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

Office. The term “Office” means with respect to the Trustee, the principal corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust, Reference: El Toro Water District 2022 Bonds, or at such other or additional offices as may be specified in writing by the Trustee to the Authority, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds with respect to which all liability of the Authority has been discharged in accordance with the Indenture, including Bonds (or portions thereof) described under the caption “MISCELLANEOUS—Money Held for Particular Bonds;” and (iii) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; Bond Owner. The terms “Owner” or “Bond Owner,” whenever used in the Indenture with respect to a Bond, mean the person in whose name the ownership of such Bond is registered on the Registration Books.

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

Permitted Investments. The term “Permitted Investments” 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 (provided that the Trustee is entitled to rely upon any written Request from the Authority as conclusive certification that the investments described therein are so authorized under the laws of the State):

(A) for all purposes, including: (i) as defeasance investments in refunding escrow accounts; and (ii) for the purpose of investing (and receiving premium credit for) accrued and capitalized interest: (1) cash; or (2) Federal Securities; and

(B) for all purposes other than: (i) defeasance investments in refunding escrow accounts; and (ii) investing (and receiving credit for) accrued and capitalized interest: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated “AAA” and “Aaa” by the applicable Rating Agency issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, demand deposits, including interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee and its affiliates, which: (I) have a rating on their short term certificates of deposit on the date of purchase of “A 1” or “A 1+” by S&P and “P 1” by Moody’s; or (II) deposits insured by the Federal Deposit Insurance Corporation maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, “A 1+” by S&P and “P 1” by Moody’s and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated “AAAm,” “AAAm-G,” “AAM” or “AAM-G” or better by S&P, including funds for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; (6) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody’s, or any successor thereto; (7) any Investment Agreement; (8) the Local Agency Investment Fund of the State of California; and (9) any other investment permitted by law.

Principal Account. The term “Principal Account” means the account by that name in the Bond Payment Fund established pursuant to the Indenture.

Rating Agencies. The term “Rating Agencies” means S&P, Moody’s and Fitch.

Rebate Fund. The term “Rebate Fund” means the fund by that name established pursuant to the Indenture.

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

Redemption Date. The term “Redemption Date” means the date fixed for an optional redemption prior to maturity of the Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to the Indenture.

Redemption Price. The term “Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

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

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time are such officers, respectively, with responsibility for the administration of the Indenture.

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

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

State. The term “State” means the State of California.

Supplemental Indenture. The term “Supplemental Indenture” means any indenture that is later duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the Bonds issued by the Authority on the date of issuance of the Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as Trustee in the Indenture as provided therein.

Content of Certificates and Opinions. Every certificate or opinion that is provided for in the Indenture, except the certificate of destruction that is provided for therein, with respect to compliance with any provision of the Indenture must include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions in the Indenture relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he or she has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter referred to in the instrument to which such person’s signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion that is made or given by an officer of the Authority may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel or Independent Certified Public Accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon

which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel or Independent Certified Public Accountant, as the case may be, need not certify to all of the matters that are required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants may certify to different matters, respectively.

THE BONDS

Terms of the Bonds. Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of \$1,000,000 or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any Bond will be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.

Each Bond will be dated the date of initial delivery, and will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before ____ 15, 20__, in which event it will bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months.

Transfer of Bonds. Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and has no responsibility to verify or ensure the accuracy of such information.

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, records for the registration and transfer of ownership of the Bonds, which will upon reasonable notice and at reasonable times be open to inspection during regular business hours by the Authority, the District and the Owners; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

The person in whose name any Bond is registered will be deemed the Owner thereof for all purposes of the Indenture, and payment of or on account of the interest on and principal and Redemption Price of such Bonds will be made only to or upon the order in writing of such registered Owner, which payments will be valid and effectual to satisfy and discharge liability upon such Bond to the extent of the sum or sums so paid.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the Authority, at the expense of the Owner of said Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor, series and authorized denomination in exchange and substitution for the Bonds so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled by it and upon the written request of the Authority delivered to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor, series and authorized denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or is about to mature, instead of issuing a substitute Bond, the Trustee may pay the same

without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture. Notwithstanding any other provision of the Indenture, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such Bond upon receipt of indemnity satisfactory to the Trustee.

Book-Entry System.

(a) Election of Book-Entry System. Prior to the issuance of the Bonds, the Authority may provide that such Bonds be initially issued as book-entry Bonds. If the Authority elects to deliver any Bonds in book-entry form, then the Authority will cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such Bonds in an authorized denomination corresponding to that total principal amount of the Bonds designated to mature on such date. Upon initial issuance, the ownership of each such Bond will be registered in the Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

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

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the Authority will execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations will not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the Registration Books. In addition to the execution and delivery of a Letter of Representations, the Authority and the Trustee, if necessary, will take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book-entry Bonds for the Depository's book-entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry Bonds; or (ii) the Authority determines that continuation of the book-entry

system is not in the best interest of the beneficial owners of the Bonds or the Authority, then the Authority will discontinue the book-entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority will prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book-entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in paragraph (e) below. If the Authority fails to identify another qualified securities depository to replace the Depository, then the Bonds will no longer be restricted to being registered in such Bond Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Bonds designate, in accordance with the provisions of the Indenture.

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

(e) Transfer of Bonds to Substitute Depository.

(i) The Bonds will be initially issued as provided in the Indenture. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to paragraph (B) (a “Substitute Depository”); provided that any successor of DTC or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or (C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to paragraphs (i)(A) or (B), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Authority to the Trustee designating the Substitute Depository, a single new Bond, which the Authority will prepare or cause to be prepared, will be issued for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the Authority. In the case of any transfer pursuant to paragraph (i)(C), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Authority to the Trustee, new Bonds, which the Authority will prepare or cause to be prepared, will be issued in such denominations and registered in the names of such persons as are requested in such written request of the Authority, subject to the limitations of the Indenture, provided that the Trustee is not required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written request from the Authority.

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

(iv) The Authority and the Trustee are entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee has no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee has any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its

successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and will not be affected in any way by any proceedings taken by the Authority, the District or the Trustee with respect to or in connection with the Installment Purchase Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State will be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Pledge and Assignment: Bond Payment Fund.

(a) The Authority, for good and valuable consideration in hand received, has irrevocably assigned and transferred to the Trustee without recourse, for the benefit of the Owners of the Bonds as set forth in the Indenture, all of its rights, title, and interest in all Series 2022 Installment Payments payable by the District pursuant to the Installment Purchase Agreement, including all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement, or otherwise to protect the interest of the Owners of the Bonds). Such assignment will be subject to and limited by the terms of the Indenture.

(b) There has been established with the Trustee the Bond Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any Series 2022 Installment Payments remain unpaid. Except as directed in the Indenture, all Authority Revenues will be promptly deposited by the Trustee upon receipt thereof into the Bond Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All Authority Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also create and maintain an Interest Account and a Principal Account within the Bond Payment Fund.

Allocation of Authority Revenues. The Trustee will transfer from the Bond Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Authority Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each date on which the interest on the Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the Bonds become due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date.

Application of Interest Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Application of Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of the Authority, the Trustee will apply such amounts to the purchase of Bonds at public or private

sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as will be directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Application of Redemption Fund. There has been established with the Trustee, when needed, a special fund designated as the “Redemption Fund.” All amounts in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and accrued interest on the Bonds to be optionally redeemed on any Redemption Date; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of the Authority, the Trustee will apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Investments. All moneys in any of the funds or accounts that are established with the Trustee pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Such investments will be directed by the Authority pursuant to a Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee will invest any such moneys in Permitted Investments that are described in clause (B)(5) of the definition thereof; provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee has received a Direction from the Authority specifying a specific money market fund and, if no such Direction from the Authority is so received, the Trustee will hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except for interest or gain derived from the Permitted Investment described in clause (B)(7) of the definition thereof, which will be retained in such Permitted Investment) will be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds (other than the Rebate Fund) held by it thereunder upon the Request of the Authority. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture.

The Authority has acknowledged that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority has specifically waived receipt of such confirmations to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the Authority with periodic cash transaction statements which include detail for all investment transactions effected by the Trustee under the Indenture. Upon the Authority’s election, such statements will be delivered via the Trustee’s online service and upon electing such service, paper statements will be provided only upon request.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture. The Trustee may rely conclusively upon the investment direction of the Authority as to the suitability and legality of the directed investments.

The Authority will invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

In determining the market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

Rebate Fund.

(a) Establishment. The Trustee will establish a separate fund designated the “Rebate Fund” when required in accordance with the Indenture. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds will not be adversely affected, the Authority will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Bonds will be governed by the Indenture and the Tax Certificate for the Bonds, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, if such requirements are not satisfied. Notwithstanding anything to the contrary in the Indenture or in the Tax Certificate, the Trustee: (i) will be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the Authority; (ii) has no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate; (iii) may rely conclusively on the Authority’s calculations and determinations and certifications relating to rebate matters; and (iv) has no responsibility to independently make any calculations or determinations or to review the Authority’s calculations or determinations thereunder.

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

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

(iii) Payment to the Treasury. The Trustee will pay, as directed by Request of the Authority, to the United States Treasury, out of amounts in the Rebate Fund: (A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) Not later than 60 days after the payment of all of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

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

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

(c) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance or payment in full of the Bonds.

Application of Funds and Accounts When No Bonds are Outstanding. On the date on which all Bonds are retired under the Indenture or provision made therefor pursuant thereto and after payment of all amounts due the Trustee under the Indenture, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture will be withdrawn by the Trustee and paid to the Authority for distribution in accordance with the Installment Purchase Agreement.

PARTICULAR COVENANTS

Punctual Payment. The Authority will punctually pay or cause to be paid the principal and interest to become due in respect of all of the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Authority Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority may not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest is extended, such Bonds or claims for interest are not entitled, in case of any default under the Indenture, to the benefits thereof, except subject to the prior payment in full for the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in the Indenture will be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of Bonds.

Against Encumbrances. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrances upon the Authority Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to the foregoing limitation, the Authority has expressly reserved the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the JPA Agreement, and has reserved the right to issue other obligations for such purposes.

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

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries are made of all transactions that are undertaken by it relating to the proceeds of Bonds, the Authority Revenues and all funds and accounts that have been established by it pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the District upon reasonable prior notice during business hours and under reasonable circumstances.

Tax Covenants. Notwithstanding any other provision of the Indenture or the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the Bonds will not be adversely affected for federal income tax purposes, the Authority has covenanted to comply with all

applicable requirements of the Code that are necessary to preserve such exclusion from gross income with respect to the Bonds and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority will take no action and refrain from taking any action, and the Authority will make no use of the proceeds of the Bonds or of any other moneys or property, which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Authority will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, and the Authority will not take any action or refrain from taking any action, which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The Authority will make no use of the proceeds of the Bonds, and the Authority will not take or omit to take any action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on the Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The Authority will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, and the Authority will not take any action or refrain from taking any action, that would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Authority takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. The Authority will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the Authority in connection with the issuance of the Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference in the Indenture.

The foregoing tax covenants are not applicable to, and nothing that is contained in the Indenture will be deemed to prevent the Authority from issuing revenue bonds or executing and delivering contracts that are payable on a parity with the Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Payments Under Installment Purchase Agreement. The Authority will promptly collect all Series 2022 Installment Payments due from the District pursuant to the Installment Purchase Agreement and, subject to the provisions of the Indenture, will enforce and take all steps, actions and proceedings which the Authority or the Trustee determines to be reasonably necessary for the enforcement of all of the obligations of the District thereunder.

The Authority will not enter into any amendments to the Installment Purchase Agreement except as permitted therein. The Trustee will give written consent only if: (a) such amendment, modification or termination will not materially adversely affect the interests of the Bond Owners; or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

Waiver of Laws. The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time later in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws has been expressly waived by the Authority to the extent permitted by law.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Eminent Domain. If all or any part of the System is taken by eminent domain proceedings (or sold to a government entity that is threatening to exercise the power of eminent domain), the Net Proceeds therefrom will be applied in the manner that is specified in the Installment Purchase Agreement.

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Events of Default. The following events will be Events of Default under the Indenture:

(a) Default by the Authority in the due and punctual payment of the principal of any Bonds when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Authority in the due and punctual payment of any installment of interest on any Bonds when and as the same become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default continues for a period of 60 days after written notice thereof specifying such default and requiring the same to be remedied have been given to the Authority by the Trustee or by the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such 60 day period, and corrective action is instituted by the Authority within such 60 day period and diligently pursued in good faith until the default is corrected, such default will not be an Event of Default thereunder.

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

Remedies Upon Event of Default. If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, will, upon notice in writing to the Authority and the District, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Nothing contained in the Indenture permits or require the Trustee or the Authority to accelerate payments due under the Installment Purchase Agreement if the District, which is a party to such Installment Purchase Agreement, is not in default of its obligation thereunder.

Any such declaration is subject to the condition that if, at any time after such declaration, but before any judgment or decree for the payment of the moneys due has been obtained or entered, the Authority or the District deposits with the Trustee an amount that is sufficient to pay all the principal of and installments of interest on the Bonds the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds that is due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case the Trustee will on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment will extend to or affect any subsequent Event of Default or impair or exhaust any right or power consequent thereon.

Application of Authority Revenues and Other Funds After Default. If an Event of Default occurs and is continuing, all Authority Revenues then held or thereafter received by the Trustee and any other funds then held or

thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) will be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses that are necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and to the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; and

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, in the following order of priority:

First: To the payment to the persons that are entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount that is available is not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of 8% per annum, and, if the amount that is available is not sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: If there exists any remainder after the foregoing payments, such remainder will be paid to the Authority.

Trustee to Represent Bond Owners. The Trustee has been irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it deems most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or the Indenture or any other law; and upon instituting such proceeding, the Trustee is entitled, as a matter of right, to the appointment of a receiver of the Authority Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have the right, by an instrument or concurrent instruments in writing that are executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee under the Indenture, provided that such direction may not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners who are not parties to such direction.

Suit by Owners. No Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Installment Purchase

Agreement, the JPA Agreement or any other applicable law with respect to such Bonds, unless: (a) such Owners have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction which is inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission have been declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Installment Purchase Agreement, the JPA Agreement or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the Authority. Nothing in the Indenture or in the Bonds affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Authority Revenues and other assets therein pledged therefor, or affects or impairs the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or later existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default will impair any such right or power or be construed to be a waiver of any such Event of Default or an acquiescence therein.

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee.

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

(b) The Authority may remove the Trustee upon 30 days prior notice, unless an Event of Default has occurred and then be continuing, and will remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee ceases to be eligible in accordance with paragraph (c) below, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee. The Authority will promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing.

(d) No removal, resignation or termination of the Trustee will become effective until a successor will be qualified and appointed and will have accepted its appointment. If no successor Trustee has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee that is appointed under the Indenture will signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and will pay over, transfer, assign and deliver to the successor Trustee any money or other property that is subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Authority will mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee that is appointed under the provisions of the Indenture in succession to the Trustee must be a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets or a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets. If such national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority that is referred to above, then for the purpose of the Indenture, the combined capital and surplus of such national banking association or bank will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee ceases to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated, any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it is a party or any trust company, banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such trust company, banking association or bank is eligible under the Indenture, will be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts in the Indenture and in the Bonds will be taken as statements of the Authority, and the Trustee will not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Bonds or the Installment Purchase Agreement, nor will the Trustee incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations therein or in the Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful

misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee represents the Owners of a majority in principal amount of the Bonds then Outstanding.

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

(c) The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for in the Indenture) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee will not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee will not be deemed to have knowledge of any default or Event of Default under the Indenture or under the Installment Purchase Agreement or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default under the Indenture or under the Installment Purchase Agreement unless and until a Responsible Officer of the Trustee has actual knowledge of such event or the Trustee has been notified in writing, in accordance with the Indenture, of such event by the Authority or the Owners of not less than 25% of the Bonds then Outstanding. Except as otherwise expressly provided in the Indenture, the Trustee is not bound to ascertain or inquire as to the performance or observance by the Authority or the District of any of the terms, conditions, covenants or agreements in the Indenture, or under the Installment Purchase Agreement, of any of the documents executed in connection with the Bonds or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee is not responsible for the validity, effectiveness or priority of any collateral that is given to or held by it.

(f) No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture, or in the exercise of any of its rights or powers.

(g) The Trustee is under no obligation to exercise any of the rights or powers that are vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy that is conferred upon the Trustee under the Indenture will be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not expressly so provided in the Indenture, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of the Indenture.

(i) The Trustee has responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

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

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and will not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee is not considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosions, mob violence, riots, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the 2022 Project or the Refunding Project, malicious mischief, condemnation and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee has the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the Indenture and delivered using Electronic Means (“Electronic Means”), which means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture); provided, however, that the Authority provides to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee acts upon such Instructions, the Trustee’s understanding of such Instructions will be deemed controlling. The Authority has understood and agreed that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee is not liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The Authority has agreed: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedure.

(n) The Trustee is not concerned with or accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions of the Indenture.

(o) The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

Right to Rely on Documents. The Trustee will be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Trustee’s Registration Books as the absolute owners of the Bonds for all purposes and the Trustee will not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the Authority, and such Certificate, Request or Requisition will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, 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.

Preservation and Inspection of Documents. All documents that are received by the Trustee under the provisions of the Indenture will be retained in its possession and will be subject at all reasonable times to the inspection of the Authority, the District and any Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The Authority will pay to the Trustee from time to time reasonable compensation for all services that are rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The Authority will indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of the trust of the Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers thereunder. The rights of the Trustee and the obligations of the Authority under the Indenture will survive removal or resignation of the Trustee thereunder or the discharge of the Bonds and the Indenture.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the prior written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, exclusive of Bonds that are disqualified as provided in the Indenture, have been filed with the Trustee. No such modification or amendment may: (1) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien that is created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Authority Revenues and other assets except as permitted in the Indenture, without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to the Indenture, the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee receives an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture will not materially

adversely affect the interests of the Owners of the Outstanding Bonds, including, without limitation, for any one or more of the following purposes:

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

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

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

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but is not obligated to, enter into any such Supplemental Indenture that is authorized by paragraphs (a) or (b) above which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there will be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Bonds from federal income taxation and the exclusion of interest on the Bonds from state income taxation.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Trustee so determines will, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his or her Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation will be made on such Bonds. If the Supplemental Indenture so provides, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment that is contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

Amendment of Particular Bonds. The provisions of the Indenture do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Bond Owner.

DEFEASANCE

Discharge of Indenture. The Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority: (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the Bonds, as and

when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem all Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all of the Bonds then Outstanding.

If the Authority also pays or causes to be paid all other sums that are payable under the Indenture by the Authority, then and in that case, at the election of the Authority (as evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds have not been surrendered for payment, the Indenture and the pledge of Authority Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture will cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Request of the Authority, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to the Authority.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Outstanding Bonds are to be redeemed prior to maturity, notice of such redemption has been given as provided in the Indenture or provisions satisfactory to the Trustee have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities that are deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds that were previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) lawful money of the United States of America in an amount that is equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Indenture or provisions satisfactory to the Trustee have been made for the giving of such notice, the amount to be deposited or held will be the principal amount of such Bonds and all unpaid interest and premium, if any, thereon to the redemption date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant filed with the Authority and the Trustee, provide money that is sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date (with premium, if any), as the case may be, on the Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that: (i) the Trustee has been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal, interest and premium, if any, with respect to such Bonds; and (ii) the Authority has delivered to the Trustee an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's opinion referred to above).

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys which are held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and which remain unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will be repaid (without liability for interest) to the Authority free from the trusts created by the Indenture upon receipt of an indemnification agreement that is acceptable to the Authority and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee will at the written direction of the Authority (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

MISCELLANEOUS

Liability of Authority Limited to Authority Revenues. Notwithstanding anything in the Indenture or the Bonds, the Authority is not required to advance any moneys derived from any source other than the Authority Revenues and other moneys pledged under the Indenture for any of the purposes of the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

The Bonds are not a debt of the members of the Authority, the State or any of its political subdivisions (other than the Authority) and neither the members of the Authority, said State nor any of its political subdivisions (other than the Authority) is liable thereon. The District has no liability or obligation in the Indenture except with respect to Series 2022 Installment Payments payable under the Installment Purchase Agreement.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Authority or the Trustee is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all covenants and agreements in the Indenture by or on behalf of the Authority or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and Bond Owners. Nothing in the Indenture or in the Bonds, express or implied, is intended or will be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Bonds.

Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person who is entitled to receive such notice, and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice is required to be given by mail, such requirement will be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee will destroy such Bonds as may be allowed by law and upon request deliver a certificate of such destruction to the Authority.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Bonds is for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability will not affect any other provision of the Indenture, and the Indenture will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The Authority has declared

that it would have entered into the Indenture and each and every other section, paragraph, sentence, clause or phrase of the Indenture and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Evidence of Rights of Bond Owners. Any request, consent or other instrument that is required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, will be sufficient for any purpose of the Indenture and will be conclusive in favor of the Trustee and the Authority if made in the manner provided therein.

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

The Ownership of Bonds will be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon request, the Authority will certify to the Trustee those Bonds that are disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture, but without any liability for interest thereon.

Funds and Accounts. Any fund or account that is required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts will at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof.

Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the Authority or the District will be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture relieves any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

CUSIP Numbers. Neither the Trustee nor the Authority are liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Bondholders and that neither the Authority nor the Trustee are liable for any inaccuracies in such numbers.

Choice of Law. THE INDENTURE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Notice to Rating Agencies. The Trustee will provide any rating agency rating the Bonds with written notice of each amendment to the Indenture and a copy thereof at least 15 days in advance of its execution.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

March __, 2022

El Toro Water District Financing Authority
c/o El Toro Water District
24251 Los Alisos Boulevard
Lake Forest, California 92630

Re: \$_____ El Toro Water District Financing Authority Water and Wastewater Revenue Bonds,
 Series 2022A

Members of the Board of Directors:

We have acted as Bond Counsel to the El Toro Water District Financing Authority (the “Authority”) in connection with the issuance of \$_____ aggregate principal amount of El Toro Water District Financing Authority Water and Wastewater Revenue Bonds, Series 2022A (the “Bonds”). The Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of March 1, 2022 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Bonds are limited obligations of the Authority payable solely from payments to be made by the El Toro Water District (the “District”) to the Authority pursuant to an Installment Purchase Agreement, dated as of March 1, 2022 (the “Installment Purchase Agreement”), by and between the District and the Authority, and from certain funds and accounts established under the Indenture.

In connection with our representation, we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the Bonds under the laws of the State of California (the “State”) now in force, and the Indenture has been duly authorized, executed and delivered by the Authority. Assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the Bonds from Authority Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and

is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest (and original issue discount) on the Bonds is exempt from State personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Bond Owner is excluded from the gross income of such Bond Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations and is exempt from State personal income tax.

6. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and the Authority and are subject to the condition that the District and the Authority comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the Authority have covenanted to comply with all such requirements.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Indenture, the Installment Purchase Agreement and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

Our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions that are expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture, the Installment

Purchase Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the District and the Underwriter believe to be reliable, but none of the Authority, the District or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon the issuance of the Bonds, the District proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”) is executed and delivered by the El Toro Water District (the “**District**”) in connection with the issuance of the El Toro Water District Financing Authority Water and Wastewater Revenue Bonds, Series 2022A in an aggregate principal amount of \$_____ (the “**Bonds**”). The Bonds are being issued by the El Toro Water District Financing Authority (the “**Authority**”) pursuant to the provisions of that certain Indenture of Trust, dated as of March 1, 2022 (the “**Indenture**”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). The District and the Dissemination Agent hereby certify, covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

“*Annual Report Date*” shall mean each April 1 after the end of the District’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Beneficial Owner*” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean, initially, the District, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the District and has filed with the then-current Dissemination Agent a written acceptance of such designation.

“*Financial Obligation*” shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). 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 the Rule.

“*Listed Events*” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” shall mean the Official Statement dated February __, 2022, relating to the Bonds.

“*Participating Underwriter*” shall mean BofA Securities, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if a party other than the District) to, not later than the Annual Report Date, commencing April 1, 2022, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement, provided that the obligation to file the first Annual Report on April 1, 2022 shall be satisfied by the posting of the Official Statement with the MSRB. Not later than 15 calendar days prior to such date, the District shall provide its Annual Report to the Dissemination Agent, if the Dissemination Agent is a different entity than the District. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the District may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. 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(a). 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 hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District in a timely manner shall send to the MSRB a notice in an electronic format as prescribed by the MSRB, accompanied by such identifying information as prescribed by the MSRB.

(c) If a party other than the District, the Dissemination Agent shall:

1. provide any Annual Report received by it to the MSRB by the date required in subsection (a);
2. file a report with the District and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date it was provided; and
3. take any other actions as are mutually agreed upon between the Dissemination Agent and the District.

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

(a) Audited financial statements of the District for the prior fiscal year 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 such audited financial statements are not available at the time that the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information for the prior fiscal year in substantially the form set forth in the following tables in the Official Statement under the caption “THE WATER SYSTEM”:

1. Table 1 – Historical Water Supply in Millions of Gallons;
2. Table 2 – Historical Water System Deliveries in Millions of Gallons;
3. Table 3 – Historical Water System Connections;

4. Table 4 – Historical Water System Sales Revenues; and
5. Table 5 – Ten Largest Water System Customers.

(d) An update of the information for the prior fiscal year in substantially the form set forth in the following tables in the Official Statement under the caption “THE WASTEWATER SYSTEM”:

1. Table 13 – Historical Wastewater System Connections;
2. Table 14 – Historical Wastewater System Usage;
3. Table 15 – Historical Recycled Water Sales;
4. Table 16 – Historical Wastewater System Service Charge Revenues;
5. Table 17 – Ten Largest Wastewater System Customers;

(e) An update of the information for the prior fiscal year in substantially the form set forth in the following table in the Official Statement under the caption “FINANCIAL INFORMATION”:

1. Table 25 – Historical Operating Results and Debt Service Coverage Fiscal Year Ended June 30.

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, that are available to the public on the MSRB’s Internet website or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. Principal and interest payment delinquencies.
2. Unscheduled draws on debt service reserves reflecting financial difficulties.
3. Unscheduled draws on credit enhancements reflecting financial difficulties.
4. Substitution of credit or liquidity providers, or their failure to perform.
5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).
6. Tender offers.
7. Defeasances.
8. Rating changes.
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a

proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

1. Unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
2. Modifications to the rights of Bondholders.
3. Bond calls.
4. Release, substitution or sale of property securing repayment of the Bonds.
5. Non-payment related defaults.
6. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the District, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the District determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the District, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and, if the Dissemination Agent is other than the District, the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the District and the Dissemination Agent specified in this Disclosure Agreement shall terminate upon the legal defeasance, prior

redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the District shall act as Dissemination Agent. The initial Dissemination Agent shall be the District.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to annual or event information to be provided hereunder, 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 the District or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver: (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of Bond owners.

The District shall describe any amendment to this Disclosure Agreement in the next Annual Report filed after such amendment takes effect.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 the change in the accounting principles shall be sent to the MSRB.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provisions of this Disclosure Agreement, any Participating Underwriter or any holder or Beneficial Owner of the Bonds, or the Trustee on behalf of the holders of the Bonds (after receiving indemnification to its satisfaction), 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 Agreement. A default under this Disclosure Agreement shall not be deemed to be a default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as described hereunder, if any, 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 obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Agreement. The District shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given to the District and the Dissemination Agent (if other than the District) as follows:

District: El Toro Water District
24251 Los Alisos Boulevard
Lake Forest, California 92630
Attention: General Manager

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

Section 14. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: March __, 2022

EL TORO WATER DISTRICT

By: _____
General Manager

RESOLUTION NO. 22-2-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE EL TORO WATER DISTRICT APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT FOR THE PURPOSE OF CAUSING THE ISSUANCE OF NOT TO EXCEED \$50,000,000 AGGREGATE PRINCIPAL AMOUNT OF WATER AND WASTEWATER REVENUE BONDS, SERIES 2022A, AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the Board of Directors (the “**Board**”) of the El Toro Water District (the “**District**”), a California Water District that is duly organized and existing under the laws of the State of California (the “**State**”), wishes to finance the acquisition and construction of certain existing improvements, betterments, renovations and expansions of facilities within its water and wastewater system (collectively, the “**2022 Project**”) and to refinance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its recycled water and wastewater system (collectively, the “**Refunding Project**”), which were previously financed from proceeds of: (i) Project Finance Agreement No. 10-801-550 (Project No. C-06-7245-110), dated October 13, 2010 (the “**North Line State Loan**”), by and between the District and the California State Water Resources Control Board (the “**SWRCB**”); (ii) Installment Sale Agreement No. 12-821-550 (Project No. C-06-5006-110), dated June 20, 2013 (as amended on November 21, 2013, the “**Recycle Phase I State Loan**”), by and between the District and the SWRCB; and (iii) Construction Installment Sale Agreement and Grant No. D16-01019 (Project No. C-06-8164-110), dated March 16, 2017 (the “**Recycle Phase II State Loan**”), by and between the District and the SWRCB; and

WHEREAS, the District is a member of the El Toro Water District Financing Authority (the “**Authority**”), a public entity that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State; and

WHEREAS, the Authority has agreed to issue its Water and Wastewater Revenue Bonds, Series 2022A (the “**Bonds**”) to assist the District in financing the 2022 Project and refinancing the Refunding Project; and

WHEREAS, the Bonds are to be secured by installment payments to be made by the District pursuant to the Installment Purchase Agreement (the “**Installment Purchase Agreement**”), which installment payments will be payable from net revenues of the District’s water and wastewater system to the extent set forth in the Installment Purchase Agreement; and

WHEREAS, the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), will enter into an Indenture of Trust (the “**Indenture**”), to

provide for the issuance and security of the Bonds and to provide for the financing of the 2022 Project and the refinancing of the Refunding Project; and

WHEREAS, the District desires to execute a Continuing Disclosure Agreement, to be dated the closing date of the Bonds (the “**Continuing Disclosure Agreement**”), in order to provide updates of certain information relating to the District and its water and wastewater system while the Bonds are outstanding; and

WHEREAS, the District desires to execute and deliver a bond purchase agreement (the “**Purchase Contract**”) with the Authority and BofA Securities, Inc., as underwriter of the Bonds (the “**Underwriter**”), with respect to the Bonds; and

WHEREAS, in order to effect a public sale of the Bonds to the Underwriter, the District is required under federal securities laws and regulations to prepare a preliminary official statement (the “**Preliminary Official Statement**”) disclosing material information about the Bonds, the District and the District’s water and wastewater system; and

WHEREAS, the District wishes to approve the Preliminary Official Statement for the Bonds, which has been prepared by the District and the Authority with the assistance of Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel (“**Disclosure Counsel**”).

NOW, THEREFORE BE IT RESOLVED, by the Board of Directors of the El Toro Water District as follows:

1. Findings. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Board that are set forth in the above recitals and in the preambles of the documents that are approved herein are true and correct and that: (a) the financing of the 2022 Project and refinancing of the Refunding Project will result in significant public benefits to the citizens of the District of the type that is described in Section 6586 of the Marks-Roos Local Bond Pooling Act of 1985 (the “Act”), in that having the Authority assist the District with respect to the financing of the 2022 Project and the refinancing of the Refunding Project through the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the District and significant reductions in effective user charges levied by the District; and (b) the 2022 Project and the Refunding Project include facilities for the production, storage, transmission or treatment of water within the meaning of Section 6586.5(c) of the Act.

2. Approval of Installment Purchase Agreement. The Installment Purchase Agreement is hereby approved in substantially the form on file with the Secretary and, upon execution as authorized below, made a part hereof as though set forth in full herein. The President, the Vice President, the General Manager, the Chief Financial Officer and the Secretary of the District (each, a “**Designated Officer**”) or the designee thereof are hereby authorized and directed to execute and deliver such Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by General Counsel or the law firm of Stradling Yocca Carlson & Rauth, a

Professional Corporation (“**Bond Counsel**”), and approved by the officer executing the same, said execution being conclusive evidence of such approval.

3. Approval of Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form on file with the Secretary and, upon execution as authorized below, made a part hereof as though set forth in full herein. Each Designated Officer or the designee thereof is hereby authorized and directed to execute and deliver such Continuing Disclosure Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval.

4. Approval of Purchase Contract. The Purchase Contract is hereby approved in substantially the form on file with the Secretary and, upon execution as authorized below, made a part hereof as though set forth in full herein. Each Designated Officer or the designee thereof is hereby authorized and directed to execute and deliver such Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the aggregate principal amount of the Bonds exceed \$50,000,000, nor shall the underwriting discount for the Bonds (excluding any net original issue discount) exceed 0.25% of the aggregate principal amount of the Bonds, nor shall the all-in true interest cost of the Bonds exceed 3.50%.

5. Approval of Preliminary Official Statement. The preparation and distribution of the Preliminary Official Statement in substantially the form on file with the Secretary is hereby approved. Each Designated Officer is hereby authorized: (i) to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”) deeming the Preliminary Official Statement substantially final under the Rule, except for the omission of information as permitted by the Rule; and (ii) to execute, approve and deliver the final Official Statement in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as the officer or officers executing said document may require or approve, subject to advice from General Counsel or Disclosure Counsel, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is directed to deliver copies of the final Official Statement to all actual initial purchasers of the Bonds.

6. Application of Proceeds. The proceeds of the Bonds shall be deposited as provided in the Indenture and the Installment Purchase Agreement to finance the 2022 Project and refinance the Refunding Project.

7. Appointment of Trustee. The appointment of U.S. Bank Trust Company, National Association, as Trustee under and pursuant to the Indenture, with the powers and duties of said office as set forth therein, is hereby approved.

8. Bond Insurance. The Board hereby authorizes the General Manager or his designee: (i) to solicit bids on a municipal bond insurance policy and/or reserve surety;

(ii) to negotiate the terms of such policy or policies; (iii) to finalize, if appropriate, the form of such policy or policies with a municipal bond insurer; and (iv) if it is determined that the policy or policies will result in net savings for the District, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds.

9. Other Actions Authorized. The Designated Officers or any other proper officer of the District, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Installment Purchase Agreement, the Purchase Contract, the Continuing Disclosure Agreement, bond insurance, a reserve surety and this Resolution, including any reimbursement agreement or other agreement related to bond insurance or a reserve surety. In the event that the President or Vice President are unavailable to sign any of the agreements described herein, any other member of the Board may sign such agreement and, in the event that the Secretary is unavailable or unable to attest or to deliver any of the above-referenced documents, any deputy secretary may validly execute and deliver such document.

10. Good Faith Estimates. The good faith estimates of costs related to the Bonds which are required by Section 5852.1 of the California Government Code are disclosed in Exhibit A hereto and are available to the public at the meeting at which this Resolution is approved.

11. Defined Terms. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture unless the context otherwise clearly requires.

12. Effective Date. This Resolution is effective from the date of its adoption.

ADOPTED, SIGNED AND APPROVED, this 24th day of January 2022.

KATHRYN FRESHLEY, President
El Toro Water District and of the
Board of Directors thereof

ATTEST:

DENNIS P. CAFFERTY, Secretary
El Toro Water District and of the
Board of Directors thereof

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by NHA Advisors, LLC (the District's "**Municipal Advisor**") in consultation with BofA Securities, Inc., the Underwriter of the Bonds.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is **\$40,730,000** (the "**Estimated Principal Amount**"), which excludes approximately **\$9,031,395** of net original issue premium estimated to be generated based on current market conditions, which together total **\$49,761,395**. Net premium is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for the bonds is higher than the face value of such bonds.

True Interest Cost of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is **3.04%**.

Finance Charge of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is **\$300,560**.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is **\$49,460,835**.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is **\$72,046,246**.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, 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 Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the District's financing plan, delays in the financing, additional legal work or a combination of such factors and additional finance charges, if any, attributable thereto. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the District based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds 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.